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NATIONAL WEEKLY OF
BUSINESS, POLITICS
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NATIONAL BUSINESS REVIEW

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Petrocorp in insurance row over damage to McKee rig

by Rae Mazengarb

PETROCORP has become embroiled in a dispute over insurance liability for a drilling rig which was damaged in an accident at the McKee No 1 exploration site in February.

NBR understands that proper insurance cover for the rig was not arranged.

Petrocorp is now attempting to recover the losses from engineering contractor McConnell Dowell, operator of the rig at the time of the accident.

McConnell Dowell requested insurance appropriate only to its particular contract requirements, in the belief that

Petrocorp had arranged proper cover for the rig.

The damage is said to have amounted to some \$300,000.

It is understood a number of underwriters accepted the risk under Petrocorp's contract of insurance.

One company, National Insurance of Dunedin, said that once it was clear the accident did not come within the scope of Petrocorp's policy, it withdrew from any question of liability.

The company's assistant manager for New Zealand, Graham Rolles, said the contract included a standard oil rig "London clause" which stipulated under what circum-

stances the rig would be covered.

One industry source suggested last week that Petrocorp's cover should not have gone through on the terms arranged.

It is understood the policy did not cover accidental damage; it covered only fire, theft or willful damage.

Moreover the cover applied only if Petrocorp personnel were operating the rig.

It was known from the outset when Petrocorp sought cover that contractors would be operating but that fact immediately excluded effective cover under the insurance arranged.

Rolles confirmed that Bowring Burgess had been the brokers to arrange the cover, but said he doubted if the broking firm would be responsible for making good the loss.

Bowring, continued there was a dispute but took the attitude it was "just another of those sorts of claims".

"Sooner or later it will be resolved," a representative said.

Bowring is understandably unhappy about the situation.

Petrocorp, however, believed it had the rig insured.

Thus it seems that all parties presumed there was no need for the contractors to take up the same type of insurance.

McConnell Dowell's brokers, Sedgewick Forbes, gave its client cover of a type which prevails throughout the oil industry overseas for contractors.

One observer said the insurance debacle clearly showed that Petrocorp had a long way to go before it could confidently and safely mount sole-risk exploration ventures.

He said the fact that at least two exploration wells were drilled with the \$60 million rig uninsured against the type of damage claimed at McKee was a warning for the State-owned company when it brings in its much more expensive

leased on-shore rig next spring.

A universal approach to oil industry insurance centres on the principle covering all contractors and subcontractors.

What would happen, for example, if a workman on a small \$15,000 engineering contract threw a spanner into the works causing millions of dollars worth of damage?

Under Petrocorp's expectations it would seem the contractor would be considered liable.

As one broker explained, had Petrocorp insisted on international underwriters familiar with the technology, then the problem would not have arisen.

The situation is expected to be resolved, following the current round of negotiations.

But the insurance industry is said to be united when it maintains that Petrocorp must do its own homework and become familiar with oil industry requirements before it starts trying to change the rules over liability.

Shipping Corp storm

by Allan Parker

SHIPPING Corporation directors involved in "the Julian affair" seemed to be moving last week to defuse the confrontation with Prime Minister Rob Muldoon.

Despite a "resign-if-you-want-to" challenge from Muldoon at least two of the four directors who earlier had met Transport Minister Colin McLachlan to discuss Auckland Harry Julian's appointment as deputy-director insisted that there were no threats to resign unless Julian was removed.

Both said they supported Julian's efforts to improve

Shipping Corporation profitability — efforts that Muldoon said were "very persistent" and "ruffled feathers in the corporation". But neither Christchurch businessman David Cooper nor Southland farmer Bruce Ryan (chairman of the Exports and Shipping Council) would comment on other aspects of Julian's deputy-directorship that have been questioned.

Cooper told NBR: "That's another matter." Ryan said: "No comment."

Both said the situation had been "blown up far too far" and created a confrontation situa-

Continued on Page 2

CCL: no early share issue

SHARES in the Wellington-based computer and communications company, Computer Consultants Limited, will be listed on the Stock Exchange tomorrow.

The listing will give the public the chance to invest in two successful home-grown businesses — CCL and Fourth Estate Holdings Limited. The latter was taken over by CCL mid-year.

Both companies wanted to list their shares to provide an investment opportunity for the public and to provide access to the capital necessary to ensure their continued strong growth.

At a briefing for brokers and media representatives last week, chairman Eddie Cornish said a primary aim of seeking listing was to enhance the company's image for marketing purposes to the Government and large commercial companies.

Managing director Ken Fraser said he wanted the public to fund the group's development, (hinting at the prospects of cash issues next year) rather than seek money overseas.

Computer Consultants is deeply involved in both computer services and computer hardware-selling activities. Fourth Estate publishes *National Business Review*, the *New Zealand Business Who's Who* and a range of other business publications. The company is also deeply involved in the development of a videotex (viewdata) service.

Because it already has sufficient shareholders to satisfy Stock Exchange requirements, there will be no immediate public issue of the shares.

Instead, two founding directors have agreed to release small parcels of shares to establish a market.

CCL will join Andas Ltd as the only computer-based companies listed on the exchange.

Since it was formed in 1969, CCL has grown into the nation's largest home-grown computer company. In its first year turnover was \$30,000. Now it exceeds \$11 million in

Continued on Page 4

The Management & staff
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wish all subscribers, readers &
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& prosperous 1981.



The week

Bid to oust Rowling

by Colin James

AS this issue went to press, some dissident Labour MPs were trying to replace leader Bill Rowling with deputy leader David Lange in a special caucus meeting.

Success seemed likely to have severe repercussions within the party. It was reported to me that a number of top executive members, including president Jim Anderson, would seriously consider departing with Rowling.

Even failure of the coup would reopen wounds painstakingly stitched together this year and, by publicly dividing Labour yet again, set back attempts to win back public opinion — and once again take the heat off a National Party in near-desperate disarray.

The coup attempt, organised principally by Michael Bassett, Richard Prebble and Mike

Moore, capped a year of waxing and waning discontent with Rowling. Dissidents have complained that he has not provided firm leadership within the parliamentary team and has failed to project the party well in public.

Until last week, however, attempts to gather a majority among warring factions to agree on Rowling's replacement, the older guard wanting Arthur Faulkner or Sir Basil Arthur and younger MPs wanting a sometimes willing, sometimes reluctant Lange.

Only in September, after Labour's third in East Coast Bays, Lange's reticence killed an attempt by a "gang of seven", led by last week's ringleaders.

But the *New Zealand Herald*-National Research Bureau poll showing Labour third forged a coalition of hotheads, malcontents and grudge-bearers behind a coup. Many of the cooler-headed backers of Lange for deputy last year were last week on Rowling's side.

The coup attempt caught political observers, including myself, by surprise. On page 91 have argued that there have been substantial improvements in the party outside Parliament — an observation which took on an irrelevant tone as news of coup unfolded on Thursday.

The business week

Allied Farmer Co-op will raise \$2,376,000 with a one for six ordinary share issue at a premium of \$1.65.

Boral Ltd will place an \$8 million debenture paying 13.25-13.45 per cent with institutional investors.

Cerameo Ltd: unaudited net profit for six months to September 30 was \$2,710,000 (last year \$1,926,000). An interim dividend of 8c will be paid on December 18. Nominal share capital has been increased \$41,200,000, paid up \$13,309,013.

Christchurch Press Co Ltd will make a one for four issue at a premium of 50 cents.

New Zealand Petroleum Co Ltd and a consortium will drill a deep water well off the Westland Coast to a depth of 2135 metres at a cost of \$6.1 million in mid 1981.

PDL Ltd: unaudited net profit for six months to September 30 was \$881,049 (last year \$751,017). An interim dividend of 5c will be paid on January 30.

Schroder Darling Management Ltd: audited net profit for six months to September 30 was \$3,321,918 (last year \$2,829,833).

Steel and Tube Holdings Ltd: unaudited net profit for six months to September 30 was \$1.5 million (last year \$2.5 million). An interim dividend of 4c will be paid on December 18.

TNL Group Ltd: unaudited net profit for three months to

September 30 was \$271,000 (last year \$370,000).

Transport (North Canterbury) Holdings Ltd: unaudited net profit for six months to September 30 was \$102,159 (last year \$86,237). An interim dividend of 6c will be paid on February 20.

Waitaki NZ Refrigerating Ltd: net profit for the year ended October 1 was \$14,105,903 (last year \$11,941,003). A final dividend of 10c will be paid. A one for seven share issue at a premium of 40c will be made on January

15. Permanent employees will be offered 300,000 shares at a premium of 25c.

Winstone Group Ltd: unaudited net profit for six months to September 30 was \$2,736,000 (last year \$1,671,000), of which Winstone Ltd's unaudited net profit for six months to September 30 was \$2,054,000 (last year \$1,976,000). An interim dividend of 3c will be paid on February 5 and Winstone Samsung Industries Ltd: unaudited loss for six months to September 30 was \$1.6 million (last year \$3.2 million loss).

Skybus suffers sales loss

SKYBUS has suffered a fall-off in membership sales since public cautions were sounded by Justice Minister Jim McLay and Foreign Affairs Minister Brian Talboys.

Skybus director Murray Purchase said life memberships has dropped from 300 to 150 a week after McLay's warning about the Aqua Via Society's structure.

Purchase said he did not know the total membership because the figures were being computerised.

Skybus expenses in the past four weeks had been about \$40,000 — \$20,000 of it spent on advertising, he said.

While there was "stuff all" left in the kitty, Purchase said he was still confident.

Thompson was overseas regarding an aircraft deal and the \$0.5 million deposit needed to secure a leased aircraft would be available from an unnamed private investor.

"The next step is to have our first plane arrive in our colours," he said.

Three weeks ago Skybus wrote to the Ministry of Transport, Air New Zealand, RNZAC, the Prime Minister, the Minister of Tourism, Secretary of Treasury, chairman of the Securities Commission, Airline Pilots Association, and others inviting them to a meeting on December 15 to discuss Skybus's plans. Only the Fako Aero Club and the Airline Pilots Association accepted.

Bay tries for own station

KEL Tremaine, the great All Black flanker of the 1960s, heads a company which will apply for a private regional radio licence for Hawke's Bay. The plan is to aim for a format strong on national and local news with emphasis on commentaries and talkbacks on matters of regional concern.

A bid was to be made to lodge an application with the Broadcasting Tribunal before Christmas, but now the target time is early January with the hope of a hearing within the first quarter of 1981.

It is understood that Radio Pacific managing director Gordon Dryden will help the group to mount backing for the project within Hawke's Bay although a professional survey has established strong provin-

cial support for the regional radio concept. Radio Pacific may be involved in providing news services.

A major problem is where site the station in a province dominated by two commercially competitive and jockeying cities. By putting the station in a remote area, the group's leaders feel they may alienate some interests from the other.

Radio New Zealand dominates Hawke's Bay soundwaves with Bay Radio in Napier and Radio Apple in Hastings, between them turning over more than \$1 million a year. A regional transmission would have a potential audience of about 150,000 in the two cities and some heavily built up areas nearby.

Continued from Page 1.

tion with Muldoon that, according to Cooper, was "never intended to be".

Cooper said the directors had a responsibility if they felt a problem existed within the corporation to take it to the Minister. "We would be criticised if we didn't."

Ryan said that Muldoon had addressed a meeting of the Exports and Shipping Council last week, but "Nothing was said about the issues in the papers and we're still good friends."

One corporation staffer commented: "All our people

are keeping their heads down they don't want to know about it."

Cooper and Ryan, with foundation directors James Madden and Ian Mackay, had met McLachlan to ask that Julian be removed from the board.

A major concern among them and senior staff, Ryan understands, is that Julian might be appointed chairman when Sir Tom Skinner retires in April next year.

After that meeting, according to an NBR source, there was talk among the four directors of their resigning. If that remained on the board,

MED chief sounds caution on second smelter

by Rae Mazengarb

WELLINGTON Municipal Electricity Department general manager JH Vernon has warned that the second smelter project involves a strong element of risk and higher power prices.

Vernon has advised Wellington City Councillors that the present generation of electricity consumers would be severely disadvantaged if the project proceeds because they would be charged more in electricity terms than they now pay simply to subsidise future large industrial users.

A meeting committee meeting of the previous council administration — concerned at possible implications for the power price to consumers if the project went ahead — asked council clerk Ian McCutcheon to write to Energy Minister Bill Tutch.

Each wrote in early November what one councillor described in lengthy reply. It outlined the "benefits" which would accrue to the nation from the smelter project. But it did not satisfy some councillors, who asked for an opinion from Vernon.

Vernon's opinion — dated November 2 — was distributed during a trading committee meeting held the next day.

The committee already had a face-saving meeting last week. As a result of that meeting, councillors Ridley-Smith and MacKichie moved a notice of motion which was tabled at a council meeting last week.

The motion read: "That the Wellington City Council propose to the Minister of Energy that the price increases for domestic and other consumers

in Wellington which can be expected as a result of the proposed establishment of a second aluminium smelter in the South Island."

The motion was debated last week before the full council but was deferred until the February meeting.

One Labour councillor claimed the Mayor had tried to block the discussion, saying insufficient material was available.

It is understood Citizens' Ridley-Smith has been pressured to drop his support of the motion.

Richie said the motion had

been aimed at drawing attention to Vernon's report.

"The action taken by the Mayor (to block discussion) is quite contrary to the advice given by the council's advisers," she claimed.

Vernon's advice — in a memo to the town clerk — said that Birch's reply has been restricted only to answering the questions asked in the council's letter.

The Minister had not offered additional information which could have aided the council.

"For instance, I understand that the price of electricity to the smelter is to be related in

some way to the world market price of aluminium, but no comment has been made on this aspect of the pricing deal."

Vernon's memo said Birch's reply advised that between 25 per cent and 50 per cent of all costs relating to the operation and maintenance of the bulk electrical supply systems and including loan servicing would be charged to present consumers as a contribution to new capital works.

The range of 25-50 per cent was vague, represented a large amount of money, and increased the bulk tariff by that amount, Vernon said.

He pointed out that the correctness of funding capital works from current revenue — today's consumers paying more for additions made necessary only by future consumers — was questionable.

"In the past we have funded capital works 50/50 from revenue and loans which spread the load reasonably, but present economic conditions have dictated that current capital works are funded totally from revenue. Our capital works represent less than 10 per cent of our total costs. The Minister's figure of up to 50 per cent is a heavy imposition for

present consumers," Vernon's memo said.

The figure of 2.34c/kWh quoted for bulk supply to a consumer with a 100 per cent load factor came direct from the bulk supply tariff, it said. The tariff was purely a method of charging and did not necessarily represent the cost of supply.

The Minister had quoted figures of 2.5c to 3c/kWh for the long-run marginal costs. Vernon suggested these figures appeared too low. They were not supported and had been publicly questioned, he said.

"Whatever figures are used, the difference between the production price at plant built for this large new user (and not otherwise required) and the bulk supply tariff, without allowing for incentives, is high and varies between \$8 million and \$33 million using the range of figures given and could well be more," Vernon's memo said. "Whatever this amount is it will be paid for by the electricity consumer."

It referred to four contingencies outlined by Birch to allow for shortfalls in electricity generation between 1985 and 1992 brought about by new bulk users.

"Any of these contingencies will increase the cost of electricity as soon as it is implemented, which could be some years before the new consumer takes supply," the memo said.

Anchor secures packaging despite quota question

BRITONS will be spreading the Dairy Board's Anchor brand butter next year whatever the outcome of the protracted negotiations to establish a quota for next year.

Accumulated stocks from past, unused quotas will ensure that Anchor wrappers will enclose New Zealand butter for several months into the new year.

If that should run out, before agreement is reached, the board can be expected to protect the Anchor brand and its \$25 million investment in a packaging plant by wrapping British, Danish or Irish butter.

The board views the plant, recently opened at Swindon in Wiltshire, as a long-term investment. When fully operational, it will have the capacity to process and pack 80,000 tonnes of butter a year.

The Anchor brand is an important asset in its own right. As

Britain's leading brand, Anchor commands a 25 per cent market share.

The board is also a major distributor of dairy products through its network in southern and central England.

The Anchor brand has not previously been exploited by other products, although the board agreed earlier this year to distribute Danish cream through its network.

But the board and Government officials expect the rowing Common Market Ministers, as always, to come to an 11th-hour face-saving agreement on a quota for 1981.

The prospects of a three-year quota, as proposed by Agriculture Commissioner Finn Gundelach, look distinctly thin.

France again is attempting to extract the maximum benefit by prolonging negotiations. Commentators are attributing

the latest hiatus to next May's French presidential elections. Giscard d'Estaing, already plagued by the Bokassa diamonds scandal, wants to secure the farm vote with a tough line in EEC negotiations.

Britain has offered to go sweet on a sugar arrangement in which France has a particular interest, but that temptation has been firmly rejected so far.

The board does not doubt there will be a quota: nor do Government officials who quickly point to the political commitment made by the nine's leaders at the Dublin Summit meeting in 1977.

It was agreed then that there would always be a place for New Zealand butter in Britain, although the quota would have

to be agreed by mutual negotiation.

Officials refuse to believe the French might renege. But there are other political issues at stake.

Britain's tough stance to get its budget payments substantially reduced has increased urgency for reform of the common agricultural policy.

West Germany, which picked up the tab for Britain, is now advocating reform, while the French manoeuvre to maintain the main elements of CAP.

The unbelievable New Zealand butter might be the price of reform, and that will test Britain's willingness to keep its promises to her former colony.

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CCL lists without early public issue

Continued from Page 1.

an industry that is growing world-wide at 12 per cent a year.

Earnings have tended to parallel turnover. In the year ended March 31 the company reported a profit of \$258,752 and paid a 23 per cent dividend.

Profit increased substantially in the first half of the current financial year, up 173 per cent on the comparable period a year earlier at \$428,970.

Directors are forecasting at least \$600,000 for the whole year, on the strength of which they will recommend a 25 per cent dividend for the full year to an extraordinary general meeting today.

The meeting's prime purpose is to approve changes in the company's articles of association required by the Stock Exchange Association before trading can begin.

Share capital will be lifted to \$1.5 million and a three for

seven bonus issue will raise paid up capital to \$1 million.

Directors are expected to give potential investors an indication of future profitability to assist the market to determine an opening level.

An interim dividend of 10 per cent has already been paid this year. A final dividend of 15 per cent is expected along with an announcement that 25 per cent is the anticipated payout in the year beginning April 1.

If profit targets are fulfilled,

that will be a 60 per cent return on shareholders' capital, or 30 cents on each 50 cent share. Dividends would be covered 2.4 times.

Brokers expect the listing to be quietly noted.

Despite the company's aggressive image and impressive track record, brokers doubt that investors will be rushing to buy. They point out that there has been very little promotion, though the listing has been expected since CCL took over

Fourth Estate on July 1. And with no public issue, institutional investors had not been advised of the coming listing and small placement of shares.

Brokers are anticipating the shares will gain a price earnings ratio of six or seven opening at \$1.80-\$2.10.

Asset backing was \$2.22 a share before capital restructuring.

CCL managing director Ken Fraser says CCL's offices have been busy answering calls from interested investors wanting to know when they can buy. Fourth Estate has had similar enquiries for several years.

For the directors, such a change listing is another step in maintaining the company's rapid growth. One reason for not going public with a share issue now is to determine the market price in preparation for a later capital raising issue at a premium.

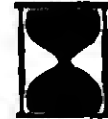
Fraser says a capital issue in the future can be anticipated. Finance expansion in New Zealand will require resources beyond the resources of the current shareholders.

The directors are E.A. O'Neil (chairman), K.E. Fraser (group managing director), R. Birchfield (managing director, Fourth Estate), W.R. Jackson, T.J. Cullinane, O.V. Hart.

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Enex hoping for \$300,000 deal

WELLINGTON-based consultancy and services exporter Enex hopes to tie its Christmas cake this week with the signing of a United Nations Development Programme contract worth \$300,000.

A representative from the UNDP in New York arrived in Wellington last Friday and Enex hopes the contract will be signed this week. The project will be run in conjunction with Nelson's Cawthron Island (see story page 23) and the FIERY Consulting Group of Wellington which is supporting project director Lloyd Taylor.

It calls for a full-time project development economist to be based in Belize with other New Zealand consultants providing visiting South America on a part-time basis.

The export return to the country from the project will be about \$7 million.

Companies or organisations which want to understand UNDP projects must register with the New York-based headquarters. When suitable projects are announced, applications for consideration are sent to the UN and listed companies are then invited to make detailed proposals on tender basis.

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Prize-winners among wines found to be watered

by Frank Thorpy

THE Consumer Institute's report on wines has produced some enlightening data on past adulteration of wines — some of which may still be on sale.

Of 18 table wines tested, only 100 per cent grape juice was found. The rest had water added. Twelve had up to 95 per cent grape juice.

These wines are within the legal accepted in most wine-producing countries and in the countries to which we hope to export.

Of 30 wines, including 100 per cent grape juice, 80-95 per cent grape juice, and the rest less than 80 per cent.

One prize-winner, McWilliam's Cabernet Sauvignon, was found to contain less than 80 per cent grape juice. Fifteen wines contained less than two-thirds grape juice.

Others — classed as "table" — in some cases contained less than 20 per cent grape juice.

Among the best 10 were a 1978 Cabernet Rose 1979, a 1978 Pinot Noir 1976 and a 1978 Chardonnay 1977. But the rest of the top class of wines were whites from well-known producers such as Monara, Gola, Glenvale. These companies also produced some of the worst wines, which they claim have since been withdrawn.

The Institute criticism of

the Consumer report was that: • Unproven methods were used for testing (the testing was done by scientists at Waikato University);

• No allowance was made for rainwater infiltrating grape bins during heavy rain;

• Testing was made on wines which have been discontinued (which are still on);

• The new food and drug regulations will solve the adulteration problem.

The Consumer report broadly supports the IDC findings that "the industry has had a growth in the market assured to it by the high level protection assistance afforded it through high tariffs and tight import licensing policies and therefore its problems have been those of production rather than marketing".

In other words inordinate quantities of water and sugar have been added to "stretch"

the wines to meet an internal demand kept high by strictly limiting consumer access to imports.

The wine industry argues that wine drinkers should rely on their palates rather than on chemical tests of "questionable value". In other words, "I know nothing about art, but I know what I like".

But there is more to it than that. Allan Siehel — the respected connoisseur and wine

merchant — wrote in the *Penguin Book of Wines* that adding water and sugar might not spoil the taste of the wine, and often makes a palatable drink out of something that does not taste good, but the practice falsifies wines to the extent that the taster, not recognising the falsification, might consider the wine to be of a higher quality than it really is.

It is almost impossible for the novice wine drinker to discover

faked wines produced by experienced wine-makers.

There are two ways a proper assessment of such wines can be made:

• The test of time — if he drinks nothing else he will find he will be bored by the sameness of flavour and the lack of any sort of intriguing quality.

• If he drinks other wines at about the same price he will eventually find one which has the indefinable hallmark of purity — perhaps the subtlety of flavour and bouquet nearly always missing in faked wines — and above all the clean-cut taste and a harmony which combines bouquet, aroma and taste into positive character.

Consumer also tested a few of the 1980 wines on sale and noticed an improvement.

Corban's Liebestraum, which figured in the 95-80 per cent grape juice glass for the 1979 wines, now shows 100 per cent grape juice — which is in line with the company's 1980 policy that all wines offered for sale will contain 95 per cent grape juice or better.

But Consumer does plead for a further tightening of the Food and Drug Regulations. It says that anything under 95 per cent grape juice should not be classed as wine and that the labels should show the percentage of sugar and water added.

Kiwifruit growers and others proclaim that we have the best temperate zone for horticulture in the world. Sophisticated Europeans are unlikely to be impressed when wine growers say this climate forces them to add sugar and water to most of their wines — especially when good wines are made in climates far worse than ours.

You don't close your eyes when you drive a car... so why should you when you buy one?

TOYOTA LAND CRUISER.

When there's no road, it makes its own.



TOYOTA

Here's four wheels for super-tough power, proved not on rough roads... but on no roads at all. Wherever you want to go, Land Cruiser will take you — round trip.

Its engine is lifted and true, 4230cc developing 128 HP (SAE gross) at 3600 RPM. That's plenty of power for hill-climbing, highway cruising, or off-road exploring. Built to last, Land Cruiser is ready for any that you want to put it through.

Lots of attention has been paid to making Land Cruiser last. Oil is forced throughout the engine, lessening friction and lengthening engine life. Then there's the suspension. What can be said? It is built to go anywhere... that floating

front axle helps Land Cruiser through sand, mud and any other hazard. And the same dual-shock brakes that are so safe off-road are double protection on the tarmac.

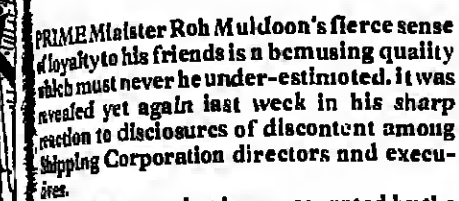
Specially designed seats let the driver's shoulders and torso move freely while the hips are held firm and snug. This is best for rough going. But that same comfort comes through on the highway too... comfort augmented by thorough ventilation that eliminates stale air.

When you're out in the wilderness, you need a partner that is all heart... Land Cruiser is. It will take any road. And when there's no road, it makes its own. Toyota engineering made it that way.

THINK IT OVER.

1980 Toyota Land Cruiser

Comment



ministration of the Shipping Corporation. The question is raised about Julian's appointment as deputy chairman of the Shipping Corporation (and of the Pacific Forum Line, where it cut short by several months the term of ineffectual Government appointee Ray Shoo) may not be justified. They do warrant an indication at least that the Prime Minister is prepared to examine them.

Loyalty can be an admirable trait. The blind loyalty too often demonstrated by Muldoon, however, is a fault that seems to cloud his judgement and thus exposes him to criticism. It inevitably brings the calibre of his administration into question.

It has led him to ignore all those who insist that McLachlan should make way for another choice as Minister in the important transport sector. Muldoon has preferred to impress on the public that McLachlan's talents are not recognised. Almost defiantly he promoted McLachlan to the front benches ahead of others who seemed to have better credentials. The report last week of the commission of inquiry into airport safety services shows the Minister's administration in a light much different from that thrown by Muldoon's glowing praise of his colleague.

Muldoonian loyalty provoked further controversy over the new Deputy Prime Minister. Up to a week ago it seemed a safe bet that Muldoon's looking after his friends

would end up with Agriculture Minister Duncan MacIntyre being the man to succeed Brian Talboys. But many in the party see MacIntyre as a liability. There is concern that the Marginal Lands Board affair is weighing heavily in voters' thinking; it is apprehensively seen as a sleeper issue about which the public is saying nothing until it can express disapproval through the ballot box. There have been signs of agitation against MacIntyre among the party faithful in Auckland. Rural members have been receiving telegrams from constituents, urging them not to support the man whose performance in the Marginal Lands Board matter ought to have resulted in his resignation.

When Muldoon added an attack on Derek Quigley for daring to stand openly against MacIntyre, he provoked a groundswell of resentment among party members throughout the country. It is now highly unlikely MacIntyre will be deputy.

Muldoon had good reason for promoting the cause of a fellow "Young Turk". Simply put, the party is not ready to choose a deputy leader someone who would be positioned to become the next leader. Derek Quigley has been seen as a future leader simply because he has declared his hand. But there are other bright Cabinet Ministers with claims to stake MacInnes, as a stop-gap appointment or

deputy, made good sense — at least in normal circumstances.

Muldoon's problem is that he needs an ally in the deputy's job. Power is shifting to the younger members. This trend will become more noticeable after the 1982 elections, when there is a fresh influx of talented new members with ideas of their own like Ruth Richardson.

Until recent weeks, it had been unheard of for National politicians to openly reveal schisms within the party. But Quigley exposed a deep schism through his involvement in the attempt to oust Muldoon as leader. Further, he has been expressing views on key policy questions that are inconsistent with those being voiced by Muldoon. Whatever his administrative qualities, Quigley has thus been not only disloyal, but overtly disloyal, to Muldoon.

A divided Cabinet raises its own questions in the public mind but last week — as Muldoon snatched Quigley's resignation — "loyalty" was again the major influence. His instincts were to rid himself of a disloyal Minister rather than one whose actions raised questions of propriety, judgement and competence.

— Bob Edlin

Paper money

THE Otago Daily Times has not been Prime Minister Robert Muldoon's most enthusiastic supporter recently. The paper, under editor Keith Jackson, has repeatedly criticised him.

So it will be interesting to see whether the paper's owner, Allied Press Ltd., will this year keep its subscriptions to the National Party.

According to information supplied to NBR — the form of a photocopy of a memo from Hugo Southland divisional director Peter Parsons to electorate chairman on October 23, last — the paper has been a good solid backer of the party.

In election years 1975 and 1978, according to information, Allied Press kicked in \$1500 and about half that in off-years.

The list, which is of Dunedin firms, makes interesting reading. Those who gave more than \$1000 in 1978 were Dunaghy's Industries Ltd, V Gregg and Co Ltd, Hallenstern Bros Ltd and N Cement Holdings Ltd (top scorer with \$2500).

Another 15 contributed more than \$100. Most of the rest of the 72 named firms clearly contributed "brush-off" money — enough to get the collector out of the office.

Much has been written and said about the difficulties faced by the National Party this year in raising money. Will even "brush-off" money be forthcoming for 1981?

Red light rip-off

STRIKE a light. It's expensive in London, as a New Zealand visitor found out.

Already staggered by costs, she bought a box of matches to light a cigarette, paid 20p (around 50 cents), thought they rattled a bit, so counted them — and found there were 28.

Closer examination of the box showed they were made in Russia.

Costly junket

AN acquaintance of *NBR* has just been to Hobart as a guest of Ansett for its inaugural flight from Christchurch. He thought it was a free trip. But finance writer Peter V. O'Brien noted last Tuesday that — at that time — it had cost the junkies \$1400. The calculation was based on what our acquaintance could have fetched for his Bridgeway shares when they hit their peak a few days earlier, and the price they were fetching last Tuesday.

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NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
General Manager/Accountant: Stephan Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor.

News & Features:
Colin James, Ree Mazengerb, Stephan Bell
Jack Hodder, Allen Parker.

Contributing:
Finance: Peter V O'Brien

Auckland Bureau:
Warren Barryman
Gordon McLaughlan

Advertising Sales:
Manager: Paul A C S Loh

Promotions:
Manager: Kathi Scott

Circulations:
Manager: Jan Chee

Auckland Office:
2nd Floor, Levens Building
Cnr Alameda & St Paul Streets, Auckland
Tel: 799-304

Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington NZ
PO Box 9344
Tel: 736-878
Cables: Netbus

National Business Review incorporates **Admark** and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Computype Services Ltd, Wellington. Printed by R Lucas & Son Ltd, 118 Kapiti Road, Papanui.

Single copies: 80 cents
Subscription rate: NZ\$30
Member ABC (Audit Bureau of Circulations);

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Letters

Does money matter?

I REFER to the article, "A hint of desperation enters in the blue corner", by Colin James (NBR December 1).

The gist of the article was that people supporting Social Credit are not really concerned about the league's monetary policies, although these are, of course, the very essence of Socred. James quotes the standard reply to doubt about these policies - "The only funny money is in your pocket" - as some sort of last word, when the obvious rejoinder is, "Agree, but why then do you propose to add to it?"

NBR's Wellington readers, some of whom may have read the interchange in the *Dominion* between the league's financial spokesman and myself will know that it has proved impossible to pin the league down to giving any more than the vaguest idea of the party's financial policy.

Their whole philosophy, dating back to Major Douglas, is predicated on some great and chronic gap in purchasing power, responsible for all the economic ills of the world. The 1978 manifesto mentions costless credit for consumer subsidies and 1 per cent loans for local bodies (for swimming pools, among other things) but gives no idea at all of the extent or the deficiency to be met, other than a vague reference to the fact (irrelevant) that M1 has declined as a percentage of GDP. Thus it is impossible to assess the likely effects on the economy and on the balance of payments deficit of issuing this extra money.

My articles inevitably sponsor lots of letters from supporters and, quite remarkably, it is obvious that they themselves have widely differing interpretations of what Socred is all about.

Even the party manifestos have four times as much on education as on finance.

The league cannot be allowed to continue to get away with this. Both the major parties must pursue what is the main feature distinguishing Socred from their own policies.

Another aspect which gives cause for alarm is the declaration that the party, if it held the balance of power, would not unseat the government of the day. Thus, for example, if a Labour Government introduced a bill to nationalise the meat industry the league members would abstain - which would mean, in effect, supporting the measure.

Since James wrote, the Labour Party has also expressed concern about the effects of increasing Socred support. Unfortunately, in New Zealand, governments are elected or defeated by a relatively small swinging vote by people who seem unwilling to face, or incapable of grasping, the realities of the economic problems facing the country, mainly not of our making. Socred seems to offer a painless

and certain cure, a characteristic of what is nothing more than sheer quackery.

JV White
Wellington

Harvesting homework

WARREN Berrymann's article "Bedsore belms market born from chance meeting" (NBR, November 17) shattered the illusion I had that your paper printed reliable and worthwhile information for readers.

While your reporter was "talking to Mark Wild in a Manhattan bar recently", I was leading the New Zealand Tanners' Export Opportunity Team on a three-week visit to the United States. In our busy three-week schedule we did not have time to visit any bars in Manhattan - pity, otherwise Warren Berrymann may have been the author of a more informed article.

During our visit to the United States we did meet Mark

Wild who certainly is a very likeable and personable young man whose enthusiasm is undoubted.

Unfortunately, however, he has not done his homework - he has not "identified New Zealand technology and raw materials" for the market he believes is there, although according to your article this was their opening strategy.

New Zealand's sheepskins, by their very wool type, are not largely suitable for the bedsore market, and the few that are suitable are already being sold in other markets. By no stretch of the imagination is there \$250 million of this material available.

I would suggest that Mark's ability to sell Rosenthal Crockery to the British House of Commons is no real training ground for marketing New Zealand sheepskin products to the United States. In the same way, his disappointment at not being able to find suitable upholstery leather for exclusive German furniture shows his lack of knowledge of what New Zealand hides are suitable for.

Nigel Bowron
Marketing Director
G L Bowron and Co Ltd
Leader, Tanners' Export Opportunity Team

BERRYMAN was aware the export opportunity team was in the United States at the same time as he was. But Wild had been active in the American market since February; the export team had been there only three weeks. Thus we considered Wild a worthwhile source of information. (The meeting with him in a bar was not by chance but by appointment.)

We said the total market in the United States Eastern seaboard (the potential for woollen products) was worth \$250 million. This market includes sheepskins, allover wool, and wool pile products for medical use. Whether New Zealand can supply all or only part of that market remains to be seen (but, only a 1 per cent slice would amount to \$2.5 million).

Dermalex of the United Kingdom produces medical products from New Zealand wool, bearing the "woolmark". This product is made from aborn wool on a porous fabric backing.

Wild is the American agent for this product. Your company might not be interested in supplying the United States market with this type of product. Several other companies are.

A woven wool product made in this country is undergoing trials in local hospitals and, we are told, standing up well to rigorous testing. Stock, Wild and Co has the agency in the United States for that product.

Your comments about Wild trying to find upholstery leather for the German market missed the point - he was interested in using his position at Rosenthal to swing an export deal our way. He wrote to the trade commissioner in Bonn for information and received a reply.

Berryman has been acquainted with Wild for some years and has no reason to doubt his selling ability. Further, Wild was well recommended by the New Zealand trade commissioner in Washington. Until proven wrong, we will give greater priority to this line of evidence than to disparagement from a competitor.

In the interests of even-handed treatment, as would always be interested to hear from Bowrons about what value of New Zealand-sourced exports were generated during the three-week trip to the United States.

-Editor

PO pays its way

THE article by Bob Stone "Safe Air's prop breezes past market lobby" (NBR December 5) included the comment "Railways had been instructed to continue providing an inter-island mail service for the Post Office at less than cost".

This is not correct. The Post Office pays its full share of the cost of using Safe Air services for mail and receives no subsidy whatsoever from the Railways.

Kevin Rush
Press Officer
Post Office

STATION MANAGER

New Zealand's newest radio station is scheduled to commence broadcasting at the end of March 1981. This is an opportunity for skilled professional people to lay the foundation for what promises to be a highly successful operation in one of New Zealand's most lucrative markets. Foveaux Radio is seeking as a station manager a person with leadership qualities who has had experience in programming, sales and administration. It is proposed that the station manager will be involved in the direction of station programming as well as supervising administration. A very attractive salary and other benefits will be paid to the right person.

Applications including full resume of previous positions should be addressed to:

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INVERCARGILL

With these hard words, the economists must be determined to discredit Socred's cause. Economists have worked hard at underestimating the currency of Socred's thinking that they have some stake in keeping Socred at bay.

Politics

1980: A deeper disenchantment changed the rules

by Colin James

A COUPLE of weeks ago I bumped into an out-of-town political scientist who was agitating me. "Do you know what's going on in politics?" he asked. "No", I said. "Nor do I," he boomed. "Isn't it marvellous."

It is - for us on the outside. But not for politicians, especially the Labour variety. By all the old rules, Labour has been doing most things right this year. It has got itself a bigger, tighter, more productive central organisation and improved information flows.

By the old rules, Labour has been doing most things right this year. It has got itself a bigger, tighter, more productive central organisation and improved information flows.

It has thought large chunks of policy from the ground up and started feeding it out to the public well before the election, with some competent supporting material.

It has planned and started its campaign much earlier than past and with more attention to local detail. Party brass have been touring electorates with targets and new organisational techniques to pursue them.

Fund-raising is in earnest. Membership is rising and activity and interest within the party is higher than usual.

By and large intelligent and able candidates have been selected.

A candidates' conference a weekend ago was described by one experienced and sceptical MP as by far the best he had been to - well organised, with meat for the candidates, a boy's own mood.

In short, Jim Anderton's presidency has transformed the party - not without some losses, wounded egos and some grave misunderstandings (or perhaps no accurate understandings). As Anderton is abrasive, direct and impatient with the hidebound, the slow-moving and the disagreeable disagrees.

But public opinion is so far from insensitive to his efforts.



Roly White... men of the year for an important reminder.



Henry Reynel... underpinning of a winning



Jim Anderton... last but not unwelcome transformation



Bruce Beatham... giving an air to nothing concrete



George Chapman... decisions last longer than leaders

Some weeks back Anderton accused NBR's "regular political commentator" (me, I suppose) of being superficial. Perhaps he was right. Perhaps in chronicling his party's improvements this year, I failed to inquire sufficiently into their nature, direction and relevance.

Is all this energy and efficiency, this intelligent, witty youthfulness and revamped and liberalised social democracy off-beam?

Long-term, I think not. But the short-term political illnesses may be unattractable by Anderton's conventional medical techniques, however well applied.

Two perceptive senior men, one in each main party, have recently concluded to me that the emerging dominion concern in the electorate is "the family".

In other words, the disenchantment the polls are recording is deeper than inflation or unemployment or interest rates, though no doubt they heighten it.

The "strain" felt by the electorate may be at the more fundamental level of moral and social values, which have been dislocated by the liberal ex-

cesses of the National and Labour-run 1960s and 1970s.

There is no political remedy to such a condition. But there is a convenient ambulance for poll respondents.

Social Credit has been more "family"-oriented, more conservative on moral and social issues than its competitors. Being also the established protest party, it has been the natural political vehicle for an inchoate social reaction to the strain and its accompanying disorientation.

It need not have been. A Mick Savage (Mick Connelly?) in charge of Labour might have picked it up. Bill Rowling with Anderton's work done one year earlier might have. A "nice" Robert Muldoon might not have let go the bus of it he had in 1975.

And Social Credit might have been its old disorganised self - unable to get the wheels on the ambulance or to get it into gear.

But Social Credit has done both. Beatham has skillfully generalised his message to tap the deeper discontent that underlies the apparently conflicting concerns pushing people his way.

His role is to give an airy form to something for which there is no concrete form.

And on the ground his organisation is getting better and more pervasive. Though winning East Coast Bays surprised the league and me, it was not an undeserved windfall.

If MacIntyre and Young have suffered, they have suffered in a good cause: ministers and others in myriads, often politically appointed, positions of power over the taxpayers' money may for a time be a bit more wary of lending their ear and their influence to a friend's cause.

Their suffering and the wounds it caused in the countryside and the party were symptomatic of a paradoxical year for National.

At one level, important and far-reaching decisions have been made on long-horizoned economic development and liberalising policies that contrast with past ad-hocery.

But another there is severe and deep disunity between the old and new guards in Parliament and a debilitating malaise in the organisation, which is finding members and money harder to come by than

at any time since 1971, before the 1972 defeat. If anything, National is third in organisation at the moment.

The disunity came to a head, appropriately, in a unique public challenge in October to the Prime Minister and as this column went to the printer was festering over the nomination of the tainted MacIntyre as deputy.

The Prime Minister survived in October, partly because of great short-term tactical skill. But when he claimed at a press conference last week to be the party's "number one strategist", guffaws went up in party circles.

The long-term shift is the province of George Chapman, who pins his faith more on the decisions than the leader and whose aim is to keep the party intact come what may in the next 12 turbulent, unpredictable, marvellous months.

One certainty is that Brian Talboys will not be deputy at the end of them. With him will go National's last tangible link with the placid 1950s - a suitably symbolic severance as we head into the most fascinating political year since 1935.

Economics

Soaring Socred popularity forces basic rethink

Economies Writer

ECONOMISTS do not often agree, but Social Credit does appear to be one area where there is general agreement. To put it bluntly, New Zealand's professional economists do not think Social Credit's policy is worth the paper it is written on.

Show an economist an example of Social Credit's economic philosophy and you will wrap a stream of immediate negative comment, or more likely a stream of abuse. Just about every economist (whether they have read the literature or not) is quick to point out that Socred theory is filled with muddled definitions, abstruse assertions, naive reasoning, historical misinterpretations, logical fallacies and so on.

And there are some who even say that Socred's politicians use intellectual dishonesty to put their case to the public.

With these hard words, the economists must be determined to discredit Socred's cause. Economists have worked hard at underestimating the currency of Socred's thinking that they have some stake in keeping Socred at bay.

ing that the political tide is turning in favour of Socred, it may be time for economists to rethink their philosophy. With unemployment now moving upwards toward 70,000, inflation (and interest rates) rising at a rate approaching 20 per cent and economic growth and living standards falling, policymakers trained in the conventional disciplines of economics do not have all that much to be proud of.

And, even if these policymakers know what they are doing, they are not very good at communicating it. We are told that unemployment is a short-term problem, but the trend has been for unemployment to rise over the last seven or eight years.

We are told that the basic rate of inflation is around 10 per cent while food prices have continued to rise at over 20 per cent all year. Finance Minister Rob Muldoon has leaked a report from the International Monetary Fund saying good things about the health of the economy, but the balance of payments is worsening and, despite large wage increases, most earners are finding it difficult to make ends meet.

People are reporting more and more to the police money and

easy credit as a means of paying for things they would once have been able to afford out of their current savings. Everyone can have their own stereo - but at 26 per cent interest. Some people can finance themselves into \$50,000 or \$100,000 homes but then find themselves committed to large mortgages and interest rates of over 20 per cent on second and third mortgages.

All which makes life very complicated. In its latest publication, *What is Wealth? A Child's Guide to the Money Game*, Socred explains, in simple terms, how it views what is wrong with the world.

Wealth is everything we make and use and do for each other. This definition is a far cry from the economist's definition of wealth which is the accumulation of assets. But it is not too different from the economist's definition of the real sector of the economy - the sector producing goods and services.

Interpreting Socred's definition of wealth in this way it is not difficult to see that "wealth is food, houses, clothes, tools, beiraats, holidays, cars, cookers, medicine, sunbath cream" as well "as things done

for us by teachers, mothers, doctors and the rest".

Socred is close to conventional economic thinking when money is listed as separate from goods and services. Economists divide the economy into the real sector (the production of goods and services) and the financial sector (the money sector).

Social Creditors and economists would generally agree that the production of goods and services depends on different things than the operation of the money sector. So while Socred uses the terms in a different way from economists, it would make sense to say "money is not wealth".

But, after establishing this point, economists and Socred part company. Socred says we have only two choices. Either we can live in the money sector or we can live in the goods sector. Or, as the book puts it, we can live on a desert island with bags of gold and banknotes or we can live on one with no money at all but with coconut trees, fresh water, fishing line and hooks, an axe, a spade and some seeds.

To an economist, the goods sector and the money sector operate together, although each

is determined by different things.

It is hard not to conclude that for the Social Creditors, the fundamental principle is that money is the root of all evil. Or maybe not money, but the uses money can be put to.

The availability of credit enables many of us to use things while we pay for them. It means most of us can finance ourselves into houses when we need them to bring up our families. If we had to earn the money first to buy a house, many of us would be elderly before we could find proper shelter.

But for Socred, the price we pay for credit is too great. It means that trading banks and financiers end up with too much control over our lives. Because production of real goods and services is often financed with credit, those in charge of credit can make decisions about what is produced.

Those controlling credit can decide whether or not factories can borrow money to stay in business. Indirectly that means they can decide whether or not factories continue to operate at all. According to *What is Wealth*, financiers are the cause

of industrial unrest because they can turn the credit tap on and off when employers want to borrow more to cover their costs.

Because of the amount of control trading banks and financiers have over credit and in turn, production, Socred wants to take the power over credit away from them and give it to the people actually involved in production. Which is a fair enough objective, but how should it be done?

Here Socred steels a leaf out of conventional practice and suggests setting up a new institution - the New Zealand Credit Authority. Similar to the Reserve Bank, it would be the central bank that controls other banks.

Where Socred strays from the conventional line is in outlining what this credit authority would do. Somehow it would respond to voters' wishes better than the banks do. And by doing so, it would close the gap between prices and incomes.

Bringing us into the territory of the basic principle of Socred theory - the A plus B theorem. As *What is Wealth* puts it, we would not have to borrow from financiers to close the gap

Continued on page 13

The secret to getting more done in less time.

Two unique management seminars in early 1981 sponsored by National Business Review in association with Qantas and Paddy Guildford.

Dr Alec Mackenzie, a world authority on time management, is returning to New Zealand in February 1981, after a highly successful seminar in Wellington last August, to conduct two comprehensive one-day courses in Auckland and Wellington.

The Perilous Time Wasters

Chances are, one or more of these time wasters mars your efficiency and decision-making ability.

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- taking work home... late;
- bringing it back undone;
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- missing deadlines and making excuses;
- wasting time in meetings;
- having too much to do in too little time;
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As Dr Mackenzie says in his book, *The Time Trap*: "Each of us already has all the time there is. Thus we discover the paradox of time: few people have enough; yet everyone has all there is..."

"Time is a unique resource. It cannot be accumulated like money or stockpiled like raw materials. We are forced to spend it, whether we choose to or not, and at a fixed rate of 60 seconds every minute. It cannot be turned on and off like a machine or replaced like a man. It is irrefragable..."

"We can, however, determine the way we spend it. Like other resources, time is either managed effectively or it is mismanaged..." The most effective use of time is the cornerstone of Dr Mackenzie's seminars. His *Time Management* Seminars show you how, if seriously applied, the concepts, techniques and tools presented can save you at least two hours a day. And a saving of two hours per day equals 500 hours per year... or three months of working time. The Mackenzie Time Management Seminar addresses all functions of management: planning, staffing, controlling, organising, directing, communicating, decision-making. The format is based on lecture and short term assignments (in groups of five) with liberal audience participation and role plays. Films and slides are used for variety and to reinforce the learning process.

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The executive and manager can gain dramatically in terms of his or her performance. But as a manager cannot work effectively in isolation, the seminar programme will be of equal importance to

other members of management teams. It is also important for secretaries to attend if there is a genuine desire for them to be members of management teams.

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QANTAS

O'Brien on business

Govt not the only influence on interest rates

INTEREST rates close the year only a small margin below the peaks recorded a few months ago.

Forecasts which declared a fall in long term rates in the final three months of 1980 have proved incorrect, although the short term market fluctuates

even on a daily basis depending on the supply and demand for funds.

Several interlocking forces set the pattern for interest rate movements, but these days the inflation figure is a key to the trend in medium or long term securities.

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

Any interest rate below the rate of inflation makes the lender subsidise the borrower. The former will resist if the

return comes much below inflation. Arguments differ on the responsibility for the present upwards movement in prices, with the Government a favourite target.

Government economic policies in the internal economy are certainly an element in price changes, but a considerable amount of New Zealand's inflation is imported. The rise in oil prices possibly has been overworked as the major force, but it has a sizeable influence on local prices, because transport and similar fuel-based costs are included in the price of every good or service produced in this country.

The interest rate outlook for 1981 is unfavourable. The Government is budgeting for increased deficits before borrowing, a policy which will increase the money supply.

In two speeches last week, Finance Minister Rob Muldoon said the Government had no desire to impose the equivalent of a credit squeeze in 1981, but it also did not intend to let money and credit aggregates expand to a growth level where they would put additional pressure on inflation.

Money Supply (M1), the broader M3 aggregate, and private sector credit, are now expanding at a rate which is below the ongoing shift in inflation, compared with a year or 18 months ago, when inflation was around 15 per cent and the growth in aggregates was running in the high 20s.

The Government has the

power to influence rates to some extent, either through its own borrowing programme, or by deciding that statutory bodies are going to the market at excessive rates. The latter power was used when Muldoon refused to sanction rates proposed in the Dairy Board's first attempt to raise funds earlier in the year. When the issue was approved the rates were a little lower, but there was no dramatic downwards shift. The board was still competing with the long term industrial debenture rate which had eased in the intervening months.

The industrial debenture rate peaked at around 16 per cent, and is now moving around 15 per cent, depending on the status of the company making the offer, and technical factors related to the overall yield to maturity.

Muldoon said last week that a flexible interest rate policy meant rates could move down as well as up, "when conditions demanded it".

At present the conditions appear to demand that interest rates remain close to present levels for a fair part of 1981, although the Government will hope to see some easing in the latter part of the year for political reasons with the approach of the election.

While "high" interest rates may make economic sense given the impact of other indicators, they can have a horrific effect on investment decision in industry. Interest rates of 15 per cent on funds borrowed for expansion, or even for working capital purposes, are a substantial part of overheads before any allowance is made for margins on the project's output to cover other costs and make a profit.

Discounted cash flow exercises, which take a 15 per cent figure a year, reveal a major extension in pay-back periods, sometimes to the extent that the investment is abandoned in favour of an alternative which will shorten the period.

A simple example, which refers only to the interest cost of a project can be seen in the hotel business.

If money costs 15 per cent, and is borrowed to build a hotel at a cost of \$80,000 a room (a cost which relates the other facilities to a "room" cost, and is conservative for any high-rise high-class project in central city areas of Auckland and Wellington), and a 70 per cent occupancy rate throughout the year is assumed (including weekends), the room tariff must be at least \$47 a day to cover the interest payments, before any allowance for other outgoings and a return on the capital investment.

Therefore the tariff soar, which creates consumer resistance. The payback periods, and satisfactory discounted returns, are extended to such an extent that potential investors look for other outlets for their funds.

Various fiscal policies change the pattern a little, but the high cost of money can still be a deterrent.

In some other circumstances, a high inflation rate can offset the interest rate, particularly among individuals who are prepared to pay the market rate for loans, with the knowledge that wage and salary increases will take care of the interest burden while reducing the real effect of principal repayments. That is no comfort to lenders, and they are unlikely to be any more comfortable in 1981.

1980 sharemarket: major boost from

THE sharemarket in 1980 saw almost everything which could happen in one year. Takeovers, dawn raids, a massive merger, cash and bonus issues, higher dividends, profit downturns, a speculative mining float with excellent gains for the stags, and the development of official intervention in the securities industry attracted headlines at one time or another.

Most analysts expected a slight improvement in company profits and market indices when the year opened.

They were on target with the first forecast, but no person involved in the industry expected the events which resulted in the indices going up about 55 per cent between January and last week.

The major boost came after

announcement of the Challenge, Fletcher and Tasman proposed merger. Until that time the indices had moved about 30 per cent, but picked up the difference between that gain and 55 per cent in only seven weeks.

A renewed interest in equity investment was paradoxical, to the extent that it occurred against a background of difficult economic conditions. Inflation continues in the 15 to 20 per cent range, unemployment is rising, the balance of payments shows little sign of any improvement in the medium term trend (subject to minor fluctuations depending on the particular period when the figures are struck), and irreconcilable arguments are going on over the country's development programme.

Part of the explanation lies in the limited attractiveness of alternative investment outlets. Fixed term investment is out of favour, because a combination of inflation and the after-tax return erodes both the income and the capital sum.

Property, although enjoying a rise in the latter part of the year in the residential market, involves high interest rates which cut into the real return.

"The things" market (coins, stamps, gold, books, pictures and so on) requires a level of expertise which is beyond the time and/or abilities of people who are limited to investing their savings.

Equities in 1980, however, offered their advantages, being the inflation hedge

O'Brien on business

Analysing annual accounts : R & W Hellaby

THE Auckland-based freezing company, R & W Hellaby Ltd, has a deserved reputation for sound efforts in industrial relations.

The effort put into preparing the annual report for shareholders could improve, because the 1980 document says little about what happened in the company in a year when profit fell 18.4 per cent to \$2,471,000.

The report says the trading results for the year were disappointing, and the company's activities of operating subsidiaries.

The directors' report has these comments - Hellaby Northland Ltd: "This year's report was an improvement when compared with last year".

Hellaby Northland Ltd: "This subsidiary again had an excellent year with the same weight of beef being processed this year as last. Good productivity has helped to offset the adverse effect of many cost increases".

Hellaby Franklin Ltd: "This subsidiary, which kills and processes pigs at Pukekohe, also had a satisfactory year".

Hellaby Meats and MMM Meats Ltd: "These companies have had a profitable, although difficult trading year, with a clear indication that public demand for meat is tending to decline with changing food tastes and habits".

"The meat depots, which service many of the restaurants and institutions, have enjoyed satisfactory sales with profits earned being similar to last year".

And so on, through three other subsidiaries and six joint venture companies.

The consolidated profit and

loss account gives the company's total sales (\$178.1 million) compared with \$164.6 million in 1979. The next item is "group profit after tax".

That was \$2,261,000, as against \$2,778,000 in the previous year, before taking to account the profits of associated companies.

Group profit after tax was arrived at by deducting expenses (not stated), taxation (not stated) and providing for interest, depreciation, and similar items. The last are required to be disclosed under the Companies Act, but the group gives no information on sales by areas, expenses and other relevant costs.

Hellaby invokes the provisions of the "Companies Accounts (Freezing Works Companies) Exemption Order 1956/185" as authority for failure to disclose the tax provision.

Several freezing companies have abandoned reliance on this 24-year-old exemption order, apparently in line with the requirements of modern financial disclosure in company accounts.

Hellaby still uses it, as do the listed insurance companies, which have a similar order dating from the same period (NBR October 27).

The argument usually turns on the possible advantage to overseas companies if the information is disclosed. The counter argument is that in 1980 the information is needed for a rational analysis of how a company performed in real terms, and that disclosure outweighs any doubtful advantage to competitors.

Information on balance sheet figures is better presented

than the data in the profit and loss account, particularly in relation to stocks.

Hellaby's stocks rose from \$16.4 million in 1979 to \$28.5 million last year. The directors' report says the intense competition in the Auckland province kept livestock prices well above national buying schedules, and adds: "The favourable farming season in the Auckland province also delayed the flow of stocks to the works, with the result that the last season kill caused substantial stocks to be on hand at balance date. This in turn has increased our indebtedness compared with last year".

A note to the accounts shows an increase in "meat and by-products" from \$11.2 million to \$22.2 million, with smaller proportionate increases in other stock items, which also account for a smaller proportion of the total stock value.

The compensatory entries are under current liabilities. Bank overdraft moved from \$16.9 million to \$23.2 million, and the company had \$15.5 million in unsecured borrowings at balance date, compared with a nil entry in 1979.

Changes to the balance sheet current items left the company with a current ratio of 1.0.84, as against 1.0.89 in the previous year. There is nothing unusual in a meat company having a negative ratio at balance date, which comes in the off-season, but the close relationship between 1979 and 1980 reinforces the point made here last week in regard to textile companies.

The ratio is meaningless unless it is examined in relation to its components.

There is little problem in Hellaby's case, because the

Fletcher-Challenge-Tasman merger

availability of tax free dividends, which raise the effective return for people in the top tax brackets, or in terms of capital gains.

There were plenty of hand-some capital gains this year, ranging from the "treble your money" return on Bridgevale Mining to rises of more than 100 per cent in the solid industrial, Fletcher Holdings, and in Brierley Investments, the favourite standby for people seeking capital gain.

Given the events of 1980, any predictions for 1981 must be cautious.

The Challenge, Fletcher and Tasman merger will dominate the sharemarket, because the company's massive capital issues that a 1c rise in the 50c shares will add a considerable amount to the total market capitalisation.

The merger is likely to have another effect, either in 1981 or 1982. Fletcher Challenge Corporation may go to the market for additional equity capital within the next two years.

The company has to finance the fourth newspaper machine at Kaitiaki, costing about \$200

million. While a large amount of that money will be borrowed either locally or offshore, the evolving capital structure of the company may require an equity contribution.

Then there is the share, admittedly later down the track, of the proposed aluminium smelter, assuming that the scheme goes ahead in the wake of protests. The addition of more borrowed funds to the company's balance sheet could upset the gearing, and provide another reason for having a cash issue.

Even a one for five cash issue at par in Fletcher Challenge requires about \$20 million. If an issue were made at a 50c premium (\$1 in total), the amount rises to \$40 million.

Those figures are substantial by the standards of the sharemarket, and would have an effect on all equity investment.

By the end of 1980 the market was euphoric, relying on rumours of more large mergers, some of them outlandish.

There might be a reaction in 1981 if another big one fails to materialise, or if the projections of company profits for the

1981 March year (and the following term) have been too optimistic.

But 1981 is an election year, and we have probably not seen the last of economic "fine tuning", or more proposals to live up to the economy and reduce tax burdens.

An election year presents other problems for investors. There are three possible outcomes in 1981. Either the Government is returned with a working majority, possibly below that it enjoys now; the Labour Party comes into power; or there is a minority government with Social Credit holding the balance of power.

The last alternative may have some benefits, in that it would make Parliament a better controlling force over executive power, but it adds uncertainty. No investment market does well when politics and economic policy are uncertain.

We are in for an interesting year, but it will be hard to beat 1980.

Note: The writer neither owns, nor has a beneficial interest in, any of the securities mentioned here.

Continued from Page 9.

bonnet prices and incomes. The Credit Authority would operate in such a way that there would always be as much money in the country as there was wealth (real products) to buy with it.

The explanation about how this would work is much too simplistic in *What is Wealth?*

But fortunately, a new edition of Major Douglas' book, *The Monopoly of Credit* has just been published for those keen enough to better understand credit's philosophy.

It may be nonsense. But until conventional economists are

more successful at putting the world in order, they are not in a strong position to put credit down. And as credit's following grows, economists involved in policymaking might have to give credit where credit is due and see if there is not some grain of truth in Major Douglas' arguments.

company will dispose of meat, and reduce reliance on short term borrowed funds. It can cause problems in other companies if there is likely to be any difficulty in lowering inventories.

Hellaby will be looking for a substantial stock reduction,

which may have happened since balance date. The effect on the proprietorship ratio (shareholders funds to total assets) was dramatic, with a drop from 46.8 per cent to 37 per cent.

The relationship of cash flow to total assets also suf-

fered, falling from 8.9 per cent to 6.4 per cent.

The company had a tough year. Additional information would allow shareholders to see how tough it was, and would give them a greater appreciation of the group's problems.

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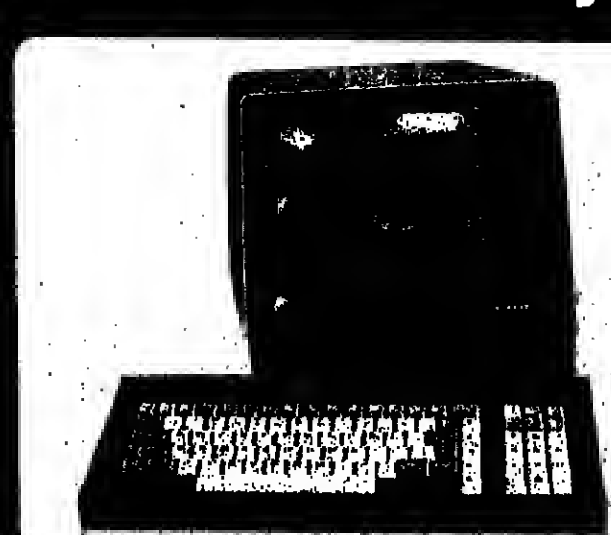
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	Last sale	Week's high	Week's low	Turnover
SAHARRO	355	0
PR	155	0
12X CONV PR	250	0
12X "M" CONV PR	235	...	...	0
SCVOFIELD	135	135	135	1000
10.51.50C	76	76	75	1900
12.55 CONV PR	15	55	25	800
SILAT	245	245	255	34000
SMELLEUNG, 50C	102	105	104	10000
5-7.52 PR	36	...	...	...
SP770 BIZOLAS, 50C	180	183	180	19200
12X CONV PP	131	135	135	100
SHITHA C.P.	167	167	145	8500
SHIN, BRITISH	278	295	275	84500
STERN, CROSS VOTEL	150	150	150	1100
STERN CROSS KINE., 201	57	74	57	10500
21.1.V.	205	210	205	10500
SPRUBRUB, 50C	09	40	60	7200
12X CONV PR	72	72	22	600
STEEL & TUBS, 50C	105	100	104	43700
SUCKLIN	141	...	...	...
TASHMAN, 50C	503	512	500	23000
RRO PR	...	...	...	0
PAET PR	125	125	120	1400
14VLORES	118	118	118	500
12X CONV PR	125	135	125	4600
TELYVENH	125	135	125	4600
12X CONV PR	145	...	...	...
Y J ROMONDE	145	...	...	...
TOLLPP	130	130	130	7700
TORU 1131	...	...	...	...
TRANS AZBUATION, 30C	52	52	52	4200
THL GROUP, 50C	00	03	08	34000
10X CONV PR	73	76	73	1700
12X CONV PR	95	...	...	...
TRANS INTN, CANT. 1	102	102	102	3700
15.5X CONV PR	90	...	...	...
15X CONV PD	141	...	...	...
U.D.C.	147	...	...	...
U.E.B., 30C	101	105	100	61800
6.5-7.52 PR	111	...	...	...
12X CONV PR	80	77	87	1800
15X CONV PR	59	60	50	20400
UNITED ZEEAN SHIP	82	...	...	...
5.52 PR	77	...	...	...
UNITED RIG	100	...	...	...
UNITED PUBLISHING, 10C	540	240	240	5100
VACATION, 50C	62	68	62	1700
12X CONV PR	10	30	50	1000
12.32 CONV PR	50	50	50	1200
VAILAKI-NEO	210	214	210	19100
11.5X CONV PR	170	173	170	1500
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WALPER R HALL	430
VAILIE, 50C	132	132	135	73400
12.5X CONV PR	52	22	50	5300
WALCAS	450	450	450	1310
WEBSTRIDGE	300	320	100	1100
WILLIAM R DAVIES	210	210	110	1350
5.75-7.52 PR	10
W. JEFFERY	150	150	150	20200
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WILSON MULL	130	130	123	42900
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WYNTH 1827 PROPS, 200C	72
5.75X PR	72
WYNTHAS	241
WYNTHALD	280	280	280	1000
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The arts

Orchestra's debut strikes discordant notes

by Lindsey Dawson

CAN a full-time orchestra survive in Auckland? Yes, says property developer Oliver Newland. No, says chairman of the Northern Regional Arts Council, Neil McGough.

Newland is orchestrating the rise of a new group from the ashes of the Auckland Symphony which collapsed in June last year.

McGough, who worked part-time as a principal trombonist for the Symphonia, has no part in the new orchestra. He is national secretary of the Musicians' Union and is opposed to the new Auckland Regional Orchestra because he says the concept cannot work financially and will deprive union members of the part-time playing they used to get with the Symphonia.

Newland, President of the ARO, is confident that the orchestra can succeed if "everyone comes to the party" with funding pledged or hinted at. "But if the union does not step in and say 'thou shalt die' then it will, because the country is run by unions and there is no way that I and 30 poor struggling musicians can survive if the unions want to get at us."

Newland is not an avid classical fan (he was a drummer in jazz band) but he says it would be a shame if there was nobody in the city to play anything but "Elton John or Kiss sort of music".

There have been nothing but bad vibes between the new orchestra and the Musicians' Union since the orchestra was set up as an incorporated society after the Symphonia's swansong.

Tensions between the players and McGough reached high pitch recently when Newland sent a telegram to Arts Minister, Allan Highet, asking him to find out from the Labour Department why Regional Orchestra members were not being offered temporary employment jobs under a scheme proposed by the Auckland Regional Authority.

The orchestra's lawyer, Keith Langton, says the scheme would allow orchestra members to be employed as musicians for six months while they "get themselves together", organise marketing and administration and arrange sponsorship.

"The Labour Department approved the scheme in principle and went to the Arts Council to check the application was from a bona fide group of musicians". But Langton said this assurance has apparently not been given.

The telegram made no mention of McGough, but, he told NBR, that he had been accused of "vindictively withholding information". He said he had replied promptly to the Labour Department's request, and was concerned to present an overall picture of the music industry.

He believes a full-time orchestra has no chance of succeeding and said that the Arts Council "will not in the foreseeable future be funding a full-time regional orchestra. The Symphonia was getting \$368,000 in grants last year and it still collapsed". He believes that only a part-time concept would be viable.

The Arts Council would not be looking at applications for funds until the next financial year, and would want to spread support throughout the country

rather than pour funds into one regional orchestra, he said. He said the orchestra would not be able to raise more than \$140,000 which was still less than half of last year's Arts Council grant.

Langton says that McGough's opinions on the future viability of the orchestra were not important when it came to the temporary employment scheme. "All he had to do was say yes, they are genuine musicians".

Meanwhile the orchestra is confident that it can make good on a full-time basis, and Newland expects that the Arts

qualify for funds if it could satisfy the council on three points:

- That the orchestra was the one which Auckland's music community wanted;

- That it could provide evidence of sound financial management and high-quality artistic direction;

- That open auditions would be held for places in the orchestra.

If the orchestra does succeed Auckland will be the only city in the country with full-time players. Wellington, Christchurch and Dunedin all have part-time groups.

with Marxist principles. An unsigned article in the union's magazine *Allegro* called the new orchestra the "Dominion Road revolutionary front".

"The so-called co-operative is simply a small group of musicians who want to do their own thing, run the deal exactly as they see fit, with all voting and decision powers strictly confined to themselves, and they expect the rest of the society to pay them to enjoy the luxury," the article said.

Regional orchestra members regard such allegations with amusement. They say the co-operative orchestra is a com-

mon arrangement overseas. Other critics, McGough among them, doubt that musicians are necessarily good administrators. "It is precisely for this reason that we are hiring experts to do the job," says orchestra secretary, Wayne Laird, although like other players he does not like being regarded as ineffective simply because he is a musician.

"Many orchestras around the world, including the London Symphony, administer

themselves very efficiently", he said.

The new orchestra believes in the "small is beautiful" concept. "One of the reasons why the Symphonia failed is that instead of the usual 33 players we used to have up to 80 or 90 for big symphony concerts. This used to cost an enormous amount of money — over \$70,000 last year", a violinist told NBR.

"Understandably, the standard dropped as a lot of the players were part-time. A lot of them were very good amateurs but not full-time professional players.

and who would conduct. It calls their method 'undemocratic'.

The orchestra says its artistic committee would include representatives of support organisations to ensure that all points of view would be heard.

Regional orchestra members are hoping that they will eventually be successful enough in their fund-raising efforts to promote future musical events to be able to earn rates on a par with NZSO members.

Many are resentful that McGough, as a principal trombonist, pulled out of full-time employment with the Symphonia and arranged a part-time contract with the management which gave him better pay on an hourly basis than other musicians.

McGough was paid for a specified number of "calls", and a 12.5 per cent margin for "guaranteed availability", which he says is a standard margin. But the musicians' award states that permanent part-time employees should be paid on an hourly basis at a rate per hour of the appropriate full-time salary — "no more and no less," says McGough's opponents.

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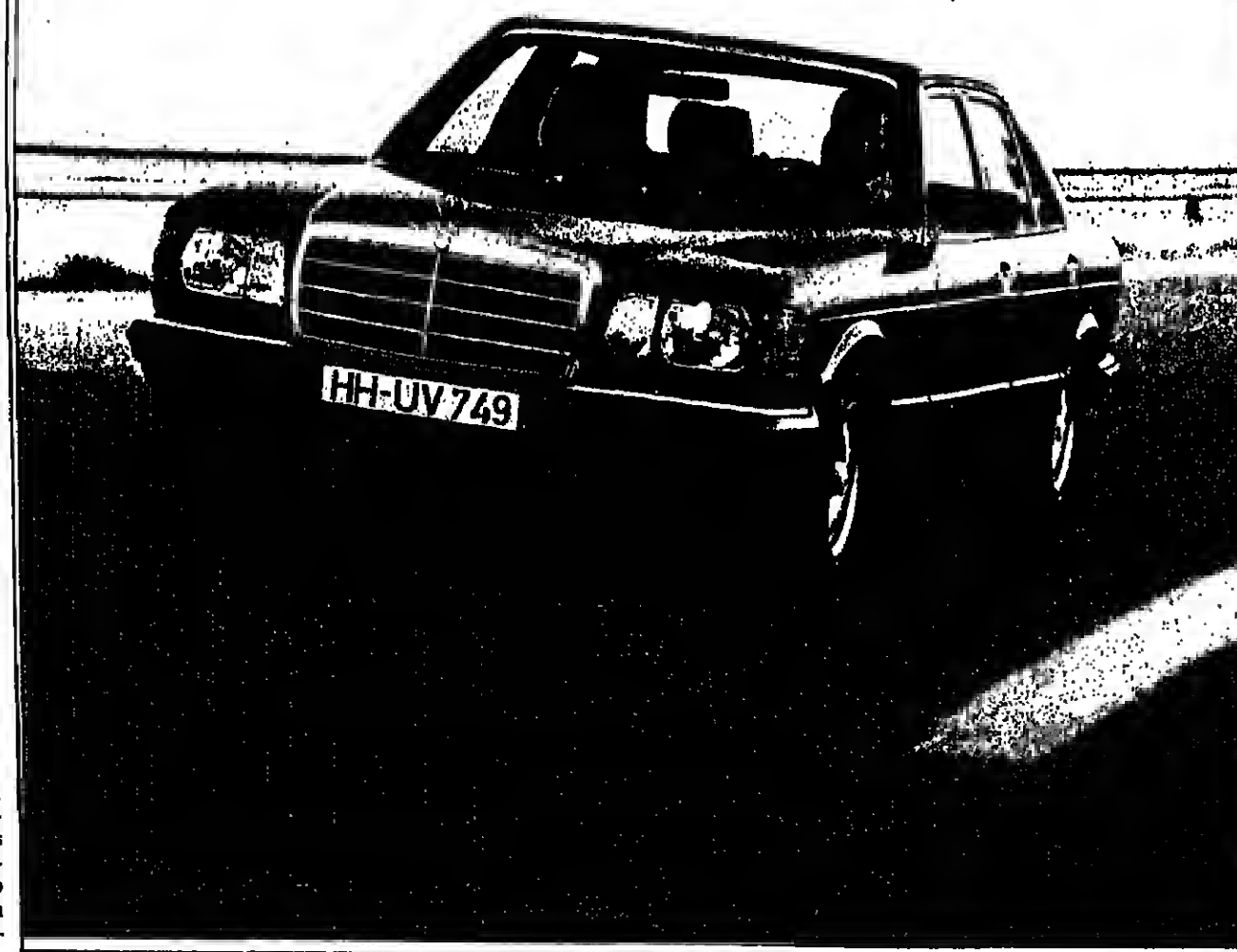
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Council will help by subsidising local body contributions dollar-for-dollar, and providing about \$30,000 a year for administrative salaries. The Auckland Regional Authority may give \$50,000, and the Auckland City Council \$10,000.

Director of the Arts Council, Michael Volkerling, said a new three-tiered programme was being planned for orchestral assistance, and the Auckland Regional Orchestra would

Members of the new orchestra (about 24 remain from the old group of 33 players) say the Symphonia collapsed because of bad management. They founded the new orchestra on co-operative lines, a move which prompted some criticism.

A former administrator, Dick Trevethick, was quoted in *The Listener* in September as saying that the new organisation would gradually be discredited through association

mon arrangement overseas. Other critics, McGough among them, doubt that musicians are necessarily good administrators. "It is precisely for this reason that we are hiring experts to do the job," says orchestra secretary, Wayne Laird, although like other players he does not like being regarded as ineffective simply because he is a musician.

"Many orchestras around the world, including the London Symphony, administer

"We want to perform a repertoire which is not in competition with the New Zealand Symphony Orchestra but complementary to what they do."

As Secretary of the Musicians' Union, McGough is concerned that this concept will deprive many of his members of part-time work, and worries that "this select group" would be sole arbiters of who joined the orchestra, what music would be played,

90c in dollar for Chateau mortgagees

SECURITIBANK liquidator Harold Goodman has notified the 703 contributory mortgagees in Christchurch's Chateau Condominium that they will be paid 90 cents in the dollar for their original investment in the development.

This leaves the contributory mortgagees about \$1.3 million short — on foregone interest payments in addition to the 10 per cent shortfall on their original investment.

Securitibank's subsidiary, Kerbank, lost about \$4 million on the Christchurch Chateau, \$1.5 million on the Blenheim Chateau, and about \$300,000 on the Timaru Chateau.

The Christchurch Chateau sold for some \$3.4 million; \$750,000 of this purchase price was for chattels and \$248,000

for adjacent land, leaving about \$2.4 million to be split among the contributory mortgagees. Interest and earnings brought this \$2.4 million up to \$2.7 million.

Securitibank's chairman, in 1976. The mopping up goes on.

Government administration

Bureaucrats take the wind out of Somar's sails

by Rae Mazengarb

RUSSELL-based Harold Ward operated a thriving little business, manufacturing wind-powered generating systems for export, until the bureaucracy stepped in and closed him down.

It all started with a simple application lodged for a work permit six months ago by an American.

The subsequent actions by officials have left workers who had been employed by him without other employment opportunities in the area, they have been forced on the dole.

Somar Windmills' expansion plans had to be shelved. Production — projected to reach \$120,000 in the coming year — was halted, exports stopped, and agents in Australia, Canada and America left the firm with orders which could not be met.

Ward told NBR last week he had an order sitting around for a distributor in Hawaii for 20 generators.

A deposit of \$2000 had already been paid. Described by one observer as a "refugee from pollution", Ward developed the technology over the last five years. He had worked for nine months on the project in America.

He set up his factory in 1973 three years ago, working out of a converted 1200 square foot shed, on a farm.

Initially employing three people, whom he trained in the technology, Ward expected to increase the force to five, when the 1200 square foot of studios had been completed. Wages paid were above the regional level, he said.

The Labour Department had not about the little business, checked out the premises and decided that work conditions were not up to scratch.

There was no flush toilet in the factory (Ward said employees used the one in the nearby farmhouse.) The factory had a metal floor instead of the required concrete one.

Some \$10,000 was required to be spent in order to comply. Ward said that borrowing the necessary money was no problem.

Planning requirements became the next hurdle. They prevented expansion, and now block the way of applications for regional development grants.

While the wrangles for the musicians are getting by, "session work" for recording studios or whatever else they can find. Some are on the dole.

Former musical director Matreucci, who is involved in the new orchestra, making ends meet by working one day a week in a coffee shop.

His musical talents are being wasted. He left New Zealand at Christmas for 10 months of conducting in the United States.

Ward applied to the Bay of Islands County Council for a grant of specified departure in terms of the town and country planning legislation last month.

The application was to be heard, unopposed, last week.

A last-minute objection meant that the hearing had to be put off until the next council meeting on February 13 next year.

Council planning officer David Scott said the council had received no complaints about the business in the three years it had been operating.

But he said that what had begun almost as a cottage industry had grown quickly though it was sited on land

zoned Rural "C", a conservation zone where industry is not encouraged.

Scott said he could not recall all the details — including the reason for Ward's application — but said the onus was now on Ward to show why his application should be granted.

Ward said he just wanted to get production going again "so that the distributors don't get discouraged". But he is faced with another two months delay.

If he loses the planning battle, he will have to move to Whangarei — a move which he said would cost a further \$30-40,000 (if the company could walk straight into a leased building), and which would require training of new staff.



Russell... losing one more employer?

Overheads would increase substantially as a result, Ward said.

The Russell location enabled the company to cut back production during slack periods, something which could not be done without substantial losses elsewhere, he said.

Somar Windmills' manufactures a generating system for battery charging primarily for use in remote locations, for house lighting and various other applications.

"It's competitive with diesel operations," Ward said.

But while the product is not sought after here, the incentives offered to consumers by many overseas governments — such as rebates on purchase — make the windmill systems attractive in those places.

Ward sells the units, which

come in three sizes, for an average cost of \$1400. The final price — after shipping, and including resellers mark-up — is around \$2000 in America, Ward said, compared with a price tag of \$2600 for a locally-made American product.

Ward said the company had planned a new system of production to further improve economies and reduce the cost of shipping.

The Russell firm would manufacture only the alternators, windblades and feathering apparatus, he said.

The distributors themselves had agreed to subcontract out items such as control panels, regulators and tower swivels to complete the products.

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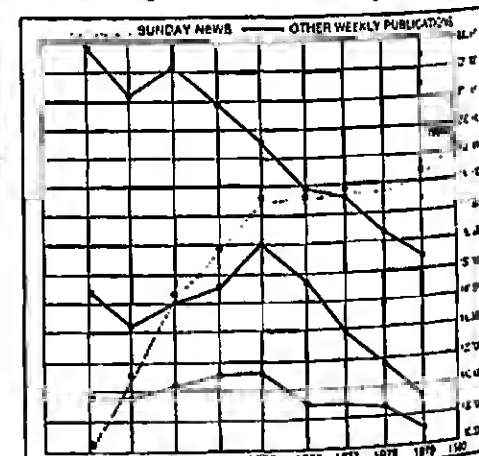
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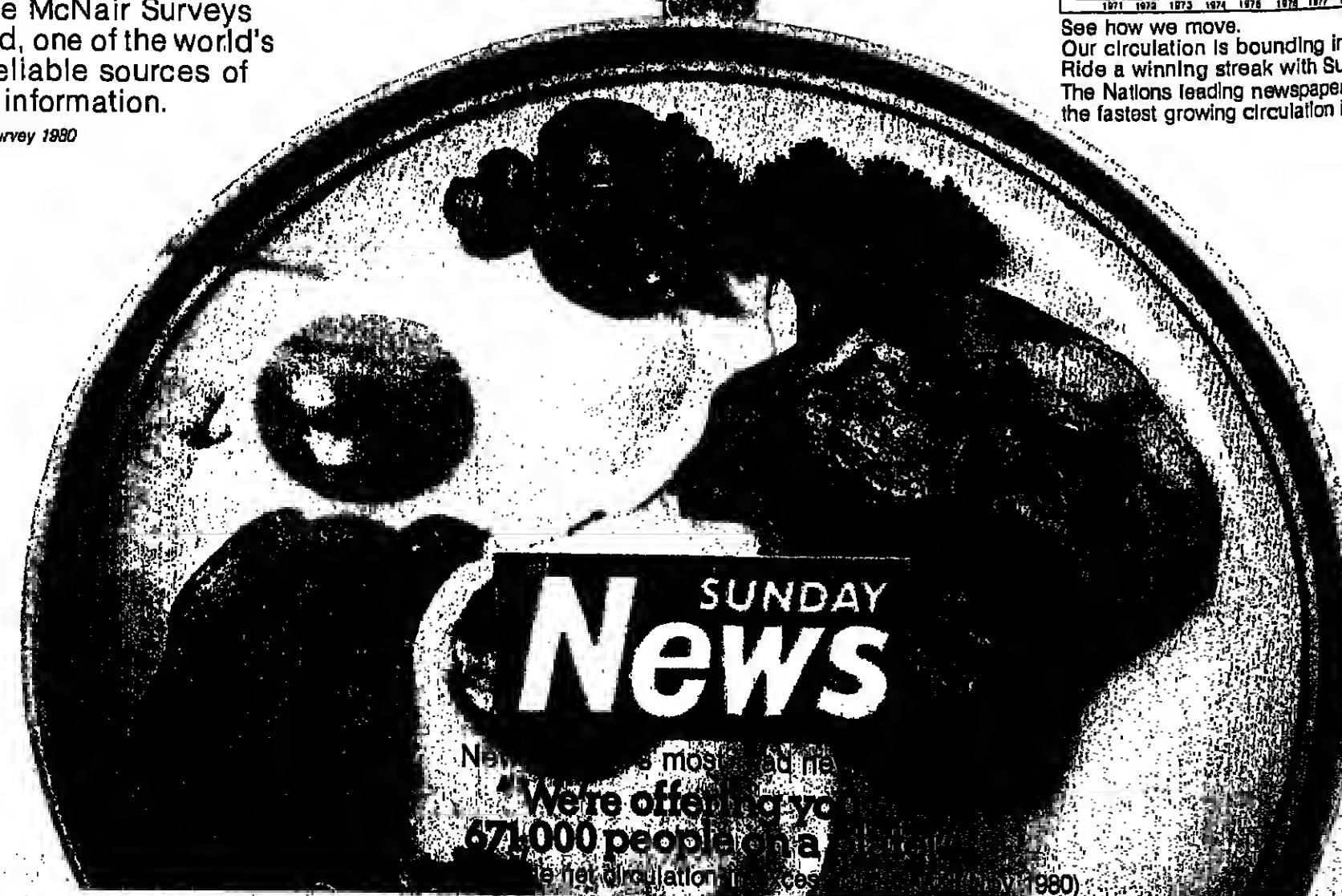


283,000 or 24.8% of all females 15 and over read Sunday News. Her interests are in the family, fashion and lifestyle purchasing power.

165,000 or 38.6% of all males 20 years and over in the Northern region read Sunday News every week. He's interested in sport, cars, has big spending power and, yes, he's interested in girls.



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Marketing

Schooling the young in the art of product selling

by Grev Wiggs

FOR our last look at the marketing scene this year, we turn our back on the multi-million, national marketplace to recount a case study where the pursuit of creative planning, the frustration of coping with conflicting authority and the final steady success were no less real because they were experienced in a small market by a tiny business.

And by tiny we mean mini: a total capital of \$387, total sales of \$1557.81, and a return to debenture holders of 158 per cent interest. A business that was established on April 1 this year and, after a markedly successful operation, was voluntarily liquidated seven months later.

We give you the case study of the Awatapu Young Achievers Co.

It all began in 1979 when Alan Simon, executive vice-president of the Chambers of Commerce, was introduced to a programme, successfully operated in America and Australia, designed to introduce students to the world of business both in theory and practice.

Seeing its value as part of the Chambers of Commerce economic education programme, Simon asked the Palmerston North Chamber to inaugurate a pilot scheme in

Five local schools were written to and a prompt, positive response was received from Douglas Coles, head of the commerce department at Awatapu College.

Glaxo Laboratories (NZ) Ltd were asked to act as a counselling company and the two parties were brought together. By February of this year the preliminary meeting of school and company had been held and the scheme was under way.

A team of senior students was selected by Coles and at early meetings they were taught how to set up a company, prepare articles of association, issue shares and

record business transactions.

On April 1 the Awatapu Young Achievers Company was established, consisting of seven directors each holding a \$1 share which carried voting rights. Debentures subscribed by directors and others raised \$380.

With the officers of the company duly elected, it was time to investigate and decide on a suitable product for manufacture.

Six products were considered, ranging from pet rocks to vitamin tablets. The directors finally voted to manufacture, package and market flavoured glucose tablets.

Product specifications were drawn up and Glaxo was sub-contracted to press samples of eight flavours.

"Market research now began," reads the report of marketing manager, Stuart Watt, "with various classes at Awatapu College being used to test the product. The choice was narrowed but of the remaining flavours some weren't considered strong enough. Finally, after the consumption of several thousand tablets the choice had narrowed to two; banana and half strength peppermint."

It was decided to pack in containers of 22, 60 and 100 tablets and 120,000 tablets were sub-contracted from Glaxo.

"Due to the tablets ingredients, they were subject to 20 per cent sales tax. But, after several trips to the Customs Department we were granted an exemption which applied to the first \$1000 of sales, although at the time of writing this report, there is still some confusion over the matter."

But the struggle with authority was not yet over. We turn again to the marketing manager's fascinating saga.

"Presentation was also being discussed. A single label on a securinliner was chosen as best and Debbie Green, our artist, then proceeded to design one.

What seemed a simple task in theory turned out to be somewhat more complex in practice.

"Unbeknown to us there are pages of rules and regulations governing labels. With all these regulations the Health Department still found it a problem classifying our product as a food or a drug."

The label claim, "A Natural Source of Rapid Energy," was acceptable for a food classification but had it said "High Energy" the product would have been rated as a drug and would have required approval from Wellington.

The company was gradually and painfully becoming acquainted with the 44 Acts of Parliament that applied to their project.

The students decided to package their own products.

They rented the home science room and weighing

equipment after notifying the City Council as required.

"Production proceeded smoothly apart from the anxious moments when Glaxo were unable to obtain banana flavouring from the local distributors. The problem was soon satisfactorily resolved and supplies of flavouring were air freighted from Sweden." Crisis over.

As sales were made direct to retailers, it was necessary to design an accounting system that would cater for a credit orientated market but was easily adapted for cash sales.

The report of the managing director, Susan Grigor, states, *inter alia*: "Overall, our company has been a huge success. We did, of course, experience problems but looking back the programme would not have been as educational and rewarding without them."

Glaxo, which at various times supplied the services of seven advisors, filed a report from the factory manager, David Cunningham which recorded: The planning of their product and component requirements was excellent. The Achievers quickly appreciated the difficulties of forecasting lead times for materials and components. The design of their logos and labels was excellent and their criteria for decisions on product image and packaging were well thought out.

"During the course of the project the students learned much about business organisation and constraints such as time scale and cash flow.

"They learned first hand exactly how a business works. They learned a lot about their capabilities and limitations at a crucial stage in life. They developed skills in handling

government department red tape, human relations, manufacturing and selling. They had the chance to make new friends, explore job opportunities and develop their leadership potential. Students will leave school much better equipped for the real world."

Several factors made this exercise possible. The initiative of the Chambers of Commerce, the alert response to the opportunity by the College, the sympathetic and practical co-operation of Glaxo and the zest of the students who put their brains, effort and money behind the venture. In due course, they experienced microcosm of the multiplex activities that go to make up business.

In their pilot role they have set a standard that the five schools participating in the scheme in 1981 will not find easy to emulate.

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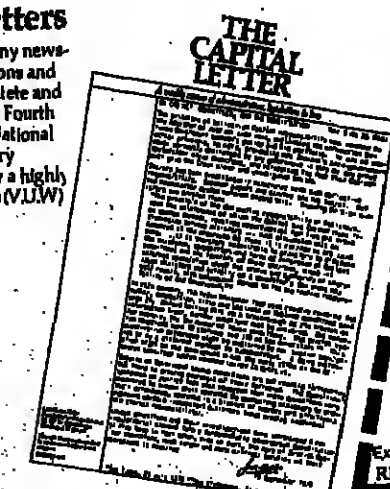
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Sport

Time is running out for the wild places

IT is hard for me to go off trout fishing without experiencing a heightened sense of expectation, the feeling that the discoveries to be made will be with me for a lifetime, and that from time to time I shall allow them to spill from my mind in a flood of warm reminiscence.

The truth is I hoard my memories of the finer moments of days on the river, in the bush or on the mountains, the way Silas Mamer hoarded his money.

But there the comparison ends; unlike the snivelling Silas, my treasures are not for gloating over, nor do they make me miserable. They are my pawns of praise to the wild places I love and which too few New Zealanders have yet to come to appreciate and respect. Time — pernicious indifferent time — is running out.

New Zealanders do not really know their wild places; they have heard about them. They are uneasy with the sounds of the wild; the song of the skeltering river, rasp of cicada, croak of frogs, rattle of scree and thump of falling rock, the near-sinister hiss of a darting wind skirling the snow. We want to tame the wild because we cannot bear the thought that it might be bigger than us, because we fear it.

So one of the things we do and puff about is build dams and stand back in pitiful triumph while we survey gross

concrete and steel creations. We claim that anything we do to the land is development when all we can do is alter and irrevocably change, usually in the pursuit of financial gain and greater comfort.

We will go ahead and dam most of our best remaining fishing rivers unless we recognise their social, recreational and spiritual values, and we will do this to supply power at absurdly low rates to multinational companies, and to ensure that an already pudgy race of people can sit in ever stuffer rooms nodding in front of colour tellyes.

A B Housman, that brooding melancholy poet, gleaned what solace he could from long walks over rolling hills and along country lanes. He knew that each of us, in the end, "wears the turning globe", and if he were alive today I am sure he would see that those who trumpet in the name of "development" and "progress" are too often bludgeoning a licence to do what they damned well please.

There comes a time to leave well alone. That time, as far as our wild rivers are concerned, has come.

Now all that, if you have got this far, is my kind of impassioned plea to those who couldn't care a damn about rivers and wild places to leave them for the thousands who do. If I am to become, once again,

Brian Turner gives a personal view of the sporting scene in this occasional column.



The land... there comes a time to leave well alone

unemployed, I would far rather it be in a country that has preserved its remaining native forests and wild rivers, than in one that had destroyed them as a result of a fixation about the need to provide more and more

material comforts. I am no crazed idealist. I like to be warm, to listen to records, to drink wine. We do not lack goodies, things that money can buy. I cannot believe that we have a right or a sound

reason to expect more.

Greed and need are antonyms and of the former we have a glut in New Zealand.

In his marvellous book *A Sandy County Almanac*, first published in 1949, the American Aldo Leopold wrote of man's need to accept a land ethic, to understand the land's intrinsic worth, how it sustains us and how without respect for it we can be nothing of consequence — except destroyers — to others or ourselves.

I do not think many people realise just how much the land around them shapes their attitudes and behaviour and in this regard I recall the words of the author Lawrence Durrell who, writing of landscape, wrote of his imagining the mountains saying to the people, "We are watching you, are you watching yourselves in us". Words to that effect, and words I have often recalled.

Recently Dave and Glenn and I spent a few days fishing a mountain river near Queenstown. It was glorious. The weather was kind, the river icy cold and clear, the fish absolute

suckers. Mostly rainbows of between three and six pounds, whenever we put a nymph or dry fly near them they grabbed it.

It was exciting fishing, the sort guaranteed to encourage self-delusion.

Mayflies dithered above the green and silver river. There was sunlight, an occasional spatter of rain and the scent of fresh mint in the air.

Sweet hriar and flowering gorse dotted the flats but the beech forest was cool and full of soft flickering light.

Only an angler knows the satisfaction of seeing the line straighten like an angry on the water, the excitement of watching the rainbows roll, their fins fluttering with the magic of being alive in the seething river.

Only an angler knows the warm glow, the momentary bond between fish and fisherman as the trout is held and then released to swim back to its life in the river, that melting of flesh and skin and scale and fin and gill and green and silver and crimson and violet colour we call rainbow trout.

Food industry

Sounding out possibilities for new markets

by Rae Mazengarb

STAGNATION in food consumption does not necessarily imply a static market.

Socio-economic factors such as housewives in the workforce, smaller families, concerns for health, nutrition, the advent of easy-to-prepare meals and the boom in eating out, have made the food market one of the most dynamic in the country, according to managing director of Heylen Research Centre (Wellington) Ken Fink-Jensen.

But it is a competitive business. And in today's marketing climate it is not easy for manufacturers to identify changing consumer patterns and beat their competitors to new opportunities.

To assist food product manufacturers in their search for sound opportunities in new markets or market segments — and reduce the possibility of miscalculating the risks involved — Heylen and Wellington-based Marketing and Business Management are about to embark on a joint study of food consumption.

The four-member group will go into the field in February to pin-point and analyse all the factors which influence consumption patterns.

Covering 10 major product groups — meat, dairy, snack foods, fruit, vegetables, cereals, sauces, prepared meals, desserts and beverages — covering 25-30 markets, the multi-client study is structured:

- To identify socio-economic and environmental factors which influence consumption;
- Determine how particular consumer segments respond, positively or negatively, to these changing factors;
- Determine the types of food and the manner in which it

is consumed within each consumer segment;

- To determine how the consumer response to changing socio-economic and environmental factors influence the types of food and patterns of consumption.

"It's a planning document, rather than another research document," said MBM's managing director Kelvin Willis. It will be looking at growth segments in what has been regarded as a stagnant business, he said. Clients will then be able to predict opportunity areas for investment and growth.

The cost to each participating client is about \$3500. Actual costs will be determined by the specific requests of the companies. For example, if a client is contemplating diversification into another product group, it can obtain the extra data required for an extra \$1500.

Heylen and MBM say the study has already generated a great deal of interest from food manufacturing, packaging companies and other related groups.

Willis said multi-client studies had a number of obvious benefits. A wide range of participants could run an expensive and costly study at a very low individual cost. It offered a high degree of flexibility in the nature and format of specific data to be extracted.

The study will progress in two stages. The first report — due in March 1981 — will be an overview of the market structure, and will enable clients to make informed decisions on the specific nature of the data required for the second report.

The second group of reports — presented on an individual basis — are expected to start in April, Willis said, although they depend on how quickly the study group received

clients' instructions. Clients will be able to choose the required method of extraction of data from three alternatives:

- By consumer segment (to determine the relationship of a particular type of consumer to a particular product range);
- By product group;
- By consumption occasion (to determine new product opportunities — for example, in breakfast foods).

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Secrecy

'The currency of democracy' accruing to powerful

by Warren Berryntan

WITH almost no Parliamentary debate, the notorious Official Secrets Act was adopted intact and written into law here in 1951.

Spurred at the time of the waterfront strike and in an era of Reds under the bed, the Cold War and McCarthyism, the Act was aimed at protecting us from espionage by real or imagined enemies.

But its most fundamental effect for 30 years has been to safeguard the executive from accountability. It shields corruption, lying, bribery and incompetence and protects the powerful from political embarrassment.

It makes a mockery of the principles on which democracy is based.

It denies freedom of speech to more than a quarter of our voting population — the civil servants. This vast body of citizens is prohibited from telling their employers what they know best — their jobs.

Consumer advocate Ralph Slater, pointing to the interrelationship between good government and a well-informed voting public, describes the Official Secrets Act as "the currency of democracy".

The New Zealand Official Secrets Act, in those terms, causes the concentration of wealth in the hands of Government Ministers and the bureaucracy.

It prohibits anyone bound by it from releasing job related information — anything from the time on a departmental clock to defence secrets.

The giver and receiver of official information are liable for prosecution, even if events show that information to be a matter of great public interest, which in no way threatens our security.

A Government servant might expose corruption in a department, in true American "whistleblowing fashion". His disclosures might lead to a much needed overhaul of the department's procedures.

He can still be prosecuted. His crime: embarrassing the Government for the public benefit.

Our official Secrets Act has yet to snare its first foreign spy.

This country has never been, and is unlikely to become, a world economic or military power.

Labour MP Richard Prebble argues that the Act "essentially cannot be justified on the basis of security. It is a petulant anti-democratic measure which enables politicians who are elected and supposed to be accountable to the people not to account".

National MP Mike Minogue has made the same point. So have a host of lawyers, civil libertarians, environmentalists and concerned citizens.

The Official Secrets Act remains on the books, convenient cudgel for any aspiring

dictator to wield against his detractors.

For trying to catch real spies, the Official Secrets Act is redundant. The Crimes Act of 1961, in Sections 73, 76, 78 and 85, amply provides for dealing with treason, sedition, the communication of official secrets and espionage.

The Official Secrets Act obviously remains to protect elected governments from domestic prying into the calibre of their administration by those to whom they are accountable.

Section 6 of the Official Secrets Act, which makes it an offence for public servants to make unauthorised disclosure of information gathered in the course of their employment, makes no distinction about the kind of information that must not be disclosed.

This blanket muzzling power is not the only defect. The Act deprives those accused of the benefit of doubt; it places on them the onus of proving their innocence, rather than requiring the prosecution to prove their guilt. Thus it violates a fundamental principle of British justice.

Prosecutions are rare. But if the law was not breached every day, newspapers would have little editorial material to hold the ads apart, backbench MPs and Opposition members would have little to contribute to Parliamentary debate, and the voting public would have to rely solely on political propaganda.

Even new Cabinet Ministers would be ushered to their offices in a state of ignorance by departmental heads whose knowledge of dealings by past administrations could be imported to them or withheld depending on the civil servants' personal predilections.

A new Cabinet Minister can request — even demand — information, if he knows it exists. But information as to what information does exist in departmental files can easily be withheld.

Virtually every senior journalist is a criminal under the Official Secrets Act for receiving information from civil servants who are also criminals under the Act.

Every businessman who gains official information from a civil servant over an expensive account lunch is a criminal. So, too, are MPs who become informed through informal contacts with civil servants.

A Government which decided it must do so could prosecute and jail all of them.

Governments so far have not done that, and one might argue that there is no danger from laws such as the Official Secrets Act, which are wide and uncertain in scope, so long as we have trusted people deciding who to prosecute and who to let off.

But democracy, in encouraging scrutiny and the franchise, was founded on a mistrust — not trust — of power, and its exercise.

The arbitrary power granted by the Official Secrets Act amounts to government by arbitrary decree.

The continuation of Anglo-Saxon civil liberties rests on the assumption that the Attorney-General, although a member of Government, will keep questions of politics out of his considerations when deciding to prosecute.

Supposing such a paragon of impartiality exists the public would question that he was unbiased and public suspicion would undermine the Government's authority if a prosecution was brought under the Act.

A BRITISH precedent shows how the Official Secrets Act can be used to muzzle the press.

In 1932, a 60-year-old clerk, working for a Probate Registry, gave a journalist details of wills before they were officially released. The journalist used the information to scoop opposition papers by one morning.

The clerk and the journalist were tried and convicted. The clerk was sacked and jailed for six weeks. The journalist was jailed for two months.

The Act provides for sentences of up to 14 years in jail. But traditional safeguards — such as a right to silence and the right to have the prosecution

prove its case beyond reasonable doubt (which are available to murder suspects) — are denied to those accused of leaking or receiving official information.

Many of the offences under the Act require proof that the accused was acting for a purpose "prejudicial to the interests of the State".

Courts have held that the Government's word must be final on defining the interests of the State.

The fact that there have been few prosecutions under the Act is irrelevant. The threat of possible prosecution has been enough to stifle informed debate.

The Act has prevented economic and scientific experts employed by Government from speaking out, denying key information to public, and Parliamentary debate.

It has shielded corruption and incompetence.

It has been used as justification for sacking civil servants who were suspected of leaking information to the press on such slender grounds as that the civil servant was known to be friendly with a journalist — guilty by association.

The Act not only shields Government from scrutiny. It often makes Government appear ridiculous.

News Flash to Small Business Managers

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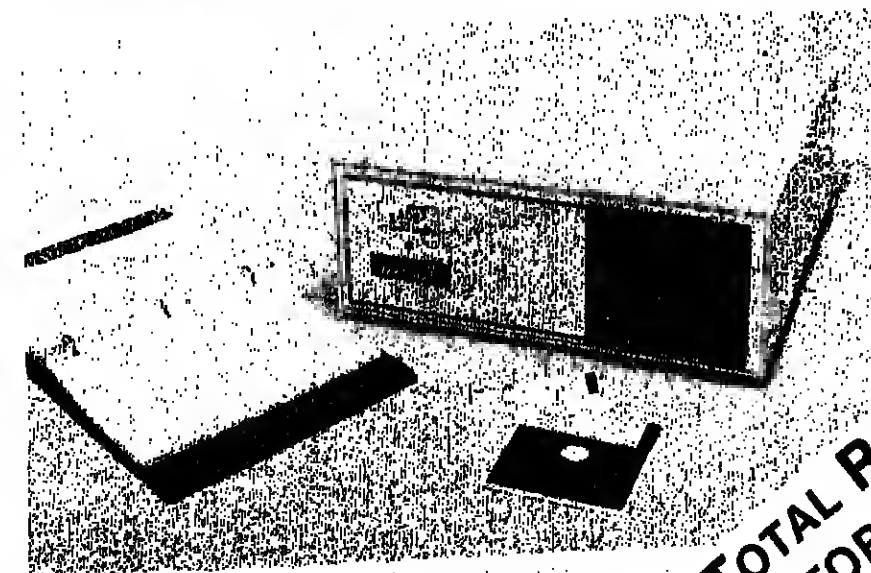
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Plastics

Long-life PVC film

AN improved PVC growing house film, with a life expectancy said to be 85 per cent greater than existing films, has been released onto the market by Auckland-based Fletcher Nylex Ltd.

Accelerated weathering tests conducted by the company are reported to show that, when properly used, the new film should have a useful life of at least six years.

The arterial is specifically designed to withstand this country's extremes of climate and resist bacterial attack.

The new Nylex growing house film was launched 12 years after an approach by Hawkes Bay nurseryman, John Anderson, who was seeking a tough long-life plastic alternative to conventional glass-houses. The new film is a result of a continuing Nylex/Anderson association.

Andersons have worked closely with Nylex on the development of the PVC film. The film has had trials in tunnelhouses and other constructions protecting indoor plants and propagation facilities.

The growing house film has been shown to reduce heating costs by providing greater efficiency in thermal insulation. The flexibility of the film allows it to be built into an efficient thermal envelope.

The film is lighter than glass and carries less risk of damage. It can be high frequency welded into sheets of any size. It is less expensive than glass and Nylex maintains the reduction in heat loss means a significant increase in production efficiency which contributes to an earlier harvest and greater yield.

Green fish quality kept

THE export fishing industry is becoming increasingly dependent on foam polystyrene fish boxes to ensure green fish reach lucrative overseas markets in top condition.

According to manager of Auckland's Barnes Plastics, Richard Purchase, the foam boxes are an essential part of the fish export programme for several New Zealand exporters.

"It is critical that the fish are kept at a constant temperature all the way to the marketplace and that they are protected from bruising in transit. The foam boxes we supply to the fishing industry fulfill both criteria," he said.

Last year Barnes Plastics supplied foam boxes for more than four and a half tonnes of green fish airfreighted out of the country to markets in Greece, Japan, Australia, the United States, Hong Kong, Singapore and European destinations.

In volume terms the shipments were relatively small but the value placed on them was in excess of \$16 million.

The polystyrene boxes, supplied by Barnes Plastics, insulate the wet fish from temperature variations during the long flights to international fish markets.

Purchase said wet fish was usually airfreighted overseas to ensure it did not spoil and reached markets in prime condition.

In most cases, fish are being sold a little over 40 hours after they have left New Zealand, he maintained.

Purchase said local fabrica-



Export fish... packed in polystyrene

tion of the foam fish boxes is an example of how the plastics industry here can give added value to imports and how it

makes a considerable contribution to an increasingly important export industry. The raw material for the

foam boxes is imported from Australia. In its raw state it has the appearance of sugar.

In the first stage of the manufacturing process, the raw material is heat expanded with steam. At that point the density of the final product is determined.

The foam boxes are moulded in cast aluminium dies into which the pre-expanded bead is forced by air. Steam is passed through the dies and the material and the bead further expands and fuses. Water is then sprayed onto the die surfaces to stabilise the moulding and to complete the process.

Purchase said that before the fish is packed into the foam

boxes it is pre-packed into plastic bags and iced. A container load of boxes is sealed in a large outer plastic bag, to ensure no leakage. Fish juice is corrosive, and airlines take no risk of leakage occurring.

The presentation of fish, particularly at auctions in Japan, determines the price received.

New material for low cost

A NEW high-performance thermoplastic material, is now being marketed here by Addington Engineering Co Ltd. The material — Nylatron

NSB, is made by the Polymers Corporation in the United States and is available as a moulding resin for low cost quantity production or in standard mill shapes for fabricating.

Addington Engineering plastics engineer, Ed Hall, said the material has been proved to have a better wear resistance in bearing applications than other premium non-metallic bearing materials.

He said tests had shown that Nylatron out-wears PTFE-loaded acetals by a ratio of more than 2:1, and it maintains its type of performance. Able to accept generally higher bearing loads, make it an ad-

vanced material for manufacturing bushings, wear plates, thrust bearings and the like.

Hall said Nylatron NSB had a specific application as a bearing material in the food and materials handling industries where lubrication was prohibited because of the possibility of contamination.

The thermoplastic material is self-lubricating and corrosion resistant, he said.

Heat stabilised for use at elevated temperatures and in paint ovens, "Zytel" 80G-31 is also available in a foamed version. Other expected applications are for wheels, chain saw

nylon, said to have more than double the strength of standard glass-reinforced nylons.

"Zytel" 80G-33, a super-tough nylon reinforced with 33 per cent glass fibres, was formulated for application requiring a higher degree of impact strength than is provided by standard reinforced grades. The Dazol impact strength is 1.1 foot-pounds per inch for the new nylon, compared with 2.0 foot-pounds per inch for standard grades.

Heat stabilised for use at elevated temperatures and in paint ovens, "Zytel" 80G-31 is also available in a foamed version. Other expected applications are for wheels, chain saw

Du Pont doubles strength

THE Du Pont Company has introduced a glass-reinforced

nylon, said to have more than double the strength of standard glass-reinforced nylons.

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housings, sporting goods and under-the-hood automotive components.

Electrical merger moves

THE directors of James Hardie & Coy Pty Ltd will acquire the domestic and industrial electrical accessory manufacturing operation, Falcon Plastics Limited, from the Feltes subsidiary, Consolidated Plastics Ltd, subject to Government approval.

The purchase is in line with moves into the electrical industry by the Australian parent company, James Hardie Industries. A James Hardie sub-

sidary, Hardie Trading, recently acquired the Ring Grip Electrical and Pierlite Electrical operations in Australia.

The company says acquisition of Falcon Plastics will facilitate the expansion of New Zealand activity in Australia, taking advantage of the improving climate for trans-Tasman trade as outlined in recent policy statements by the two governments.

Packaging for PNG

AGAINST strong international competition, Christ-

church-based Mainguard Packaging Ltd has won two major export orders in Papua-New Guinea and an order for packaging export apples.

The Papua-New Guinea orders involve a total of 1.8 million plastic planter bags. The first is a three-year contract from the Government involving 580,000 bags; the second is from a private company for another 500,000.

The black plastic planter bags will be used for cocoa plants.

The export apple contract is for the supply of about 1.5 million plastic liners for export cartons of apples packed by the

Apple and Pear Marketing Board.

The liners were developed by Mainguard to board specification, which require a controlled atmosphere to ensure the apples arrive in the best possible condition overseas.

Trade stats for guidelines

PLASTICS trade across the Tasman is worth more than \$15 million a year to both countries, representatives at the first round of plastics industry-to-industry talks were told.

Last year we exported about \$11 million worth of finished plastics products to Australia and about \$4 million worth of specialist raw materials.

During that period, we imported more than \$11 million worth of plastics raw materials from Australia and some finished products.

PINZ executive director Bruce Dunlop said that the establishment of firm statistics on the trading position between the two countries was the first step towards establishing guidelines for a possible increased expansion of the trans-Tasman plastics trade.

The meeting with Plastics Institute of Australia industry affairs director Mike Muschamp and Australian Chemical Industry Council representative Bill Freeman highlighted the general concerns by the plastics industries in both countries about the implications of closer economic ties.

Guidelines for discussion had been set and the industry groups could expect to begin to "tackle common problems head-on" at the next industry-to-industry meeting in Melbourne early next year, Dunlop said.

Both plastics organisations had agreed there was common ground for discussion because of the need to ensure that the industry, not government officials, had control over its development, he said.

The Australian industry's main concern was based on this country's ability to source raw materials world-wide at the best price.

Australian plastics processors are locked into the Australian petro-chemical industry.

"If New Zealand lost its world-wide sourcing ability and was still faced with excessive transport charges and a possible reduction in import protection, it would become totally uncompetitive with Australian processors," Dunlop said.

Under the terms of the current proposal for Closer Economic Relationship with Australia (CER), Australia would not permit the industry here to retain access to world-parity-priced raw materials where these were to be used in the production of export goods to Australia.

In the Australian view, world parity prices for raw materials equated with a "dumped" price.

Dunlop said it has been agreed that this was clearly against the intention of the CER agreement and the respective industries should quickly try to remedy the situation.

Such a policy would result in a loss of markets in the plastics industry to third countries and a serious reduction in the volume of trans-Tasman trade.

Du Pont... making things better with high performance engineering plastics



Du Pont produces a wide variety of dependable engineering plastics that are helping manufacturers all over the world to replace metals with significant benefits in improved product performance, reduced weight and lower part and assembly costs. The outstanding properties of these Du Pont engineering plastics and a few typical end-use applications are presented on these pages.



Du Pont DELRIN was the first engineering thermoplastic to offer design engineers realistic opportunities to replace metals on any widespread and continuing basis. Its dimensional stability makes possible accurate predictions of long-term performance under a wide range of environmental conditions. DELRIN is inherently tough and strong, and its natural stiffness needs no reinforcement. Other desirable properties include abrasion resistance, creep resistance, low friction and wear and excellent resistance to organic compounds.

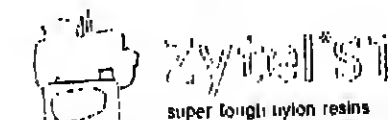


ZYTEL nylon is one of the oldest of Du Pont's engineering plastics, but, far from being the elder statesman, it is still vigorous and still growing. The standard ZYTEL nylon is widely known for its outstanding mechanical properties, including toughness, low friction, abrasion and wear resistance. The basic nylon resin has been modified to meet new and more demanding design requirements of customers. Two major modifications are discussed here.



The addition of glass fibers endows Du Pont's glass reinforced ZYTEL nylon with mechanical and chemical properties and dimensional stability that puts it in a class by itself. Its extra strength and stiffness make it an ideal candidate for replacing many metals in a wide variety of applications. For example, GRZ replaced die-cast metal in the propeller of an outboard motor for small boats. It reduced weight by 50% and virtually eliminated costly finishing operations.

DU PONT ENGINEERING PLASTICS



Du Pont ZYTEL ST is the world's toughest engineering plastic, based upon ASTM Charpy and Izod impact tests and on the solvent resistance of commercially available plastics. It is insensitive to notching, unlike most other engineering thermoplastics, and it retains its impact strength at low temperatures and in dry conditions. ZYTEL ST has an inherent resistance to oils, greases and solvents. Thus, it offers a high degree of confidence when designing parts with intricate shapes, varying thicknesses, sharp corners and parts that must withstand abuse.



MINLON resins are mineral-reinforced engineering thermoplastics that are noted for their low warpage and high temperature resistance. Best of all, they are price competitive with sheet molding compounds and die-cast metals. MINLON resins offer designers strength, stiffness and resistance to a wide variety of solvents and chemicals. They speed production with fast-cycling characteristics and easy mold release. Colors can be molded in or baked on without distortion.



RYNITE, Du Pont's newest engineering plastic is a product of proprietary technology and offers significant advantages over other types of glass reinforced thermoplastic polyester. New RYNITE 545 offers stiffness unsurpassed by other commercial thermoplastics at similar glass loadings. RYNITE resins have outstanding mechanical strength and stiffness, high heat deflection temperature, low moisture absorption and excellent creep resistance. In RYNITE you have an ideal design candidate for automotive electrical and mechanical components, gears, housings, frame, appliance handles and bases.

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Du Pont is world famous for its technical know-how in the field of engineering plastics, as well as its marketing and development expertise. This extensive technological foundation supports the service provided by experienced personnel in Du Pont sales offices around the world. If you are considering a switch from metal to plastic parts, call Du Pont first and discuss your needs with your local representative for Du Pont Engineering Plastics.

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Securitibank salvage honours secured creditors

by Jack Hodder

THE latest round in the legal contest over rights to the debris from the Securitibank collapse has resulted in a victory for conventional commercial wisdom and the rights of secured creditors.

Mr Justice Barker gave his 21st judgment on applications for instructions by the liquidator of Securitibank last week in the Auckland High Court. The major question decided was the entitlement of certain secured creditors to interest on their debt under the Judicature Act. More often, of course, they will be lucky to retrieve the bulk of the capital debt.

That question was one of general importance. There is a bit of involuntary liquidation about and the ruling is applicable to all creditors in any bankruptcy or liquidation. Interest on secured debts is now confirmed as ranking ahead of

the capital claims of unsecured creditors (such as trade creditors and shareholders) in the priority of distribution of the available assets of the debtor.

It had been clear that unsecured creditors could not include a claim for interest beyond the date of adjudication in their proof of debt. The point is established by statute but the underlying reason is that all rights of creditors crystallise at the moment that the bankruptcy or liquidation commences. If creditors are lucky there may be funds to pay their interest on their debt under the Judicature Act. More often, of course, they will be lucky to retrieve the bulk of the capital debt.

On the other hand, it had long been the conventional commercial wisdom that a secured creditor who chose not to file a proof of debt but stood apart from the liquidation

proceedings was in a different position. Such creditors were assumed to be entitled to interest on their interest-bearing securities until the date of actual repayment. There was not a great deal of written authority for this attitude but it now has a new stamp of approval from the High Court.

The argument for the liquidator sought to include all creditors, regardless of their security, within the rule that all rights are stayed as at the time of bankruptcy or liquidation and converted into rights to share in the distribution of the realised assets of the debtor. Interest on those rights would only be available under the Judicature Act (on the same basis as for any judgment debt).

That argument had a public policy aspect to support it; that all creditors should be placed on an equal footing. The force of this is evident from the



Justice Barker... stayed inside conventional wisdom.

Securitibank mess itself. The liquidation is a long and complex affair and the longer it proceeds, with interest accruing on behalf of secured creditors, the less there will be for the unsecured creditors.

But the argument had to yield to the "fact of life" that

secured creditors would not lend unless they received priority in any winding-up and to the finding that the Insolvency Act recognises the right of the secured creditor to stand apart from the bankruptcy or liquidation and to enforce his rights (including that to interest) in terms of his contract with the debtor (if he can).

Thus the secured creditor has the right to choose. If his security is inadequate, he may value it and file a proof of debt in the bankruptcy or liquidation. He will then lose his entitlement to post-adjudication interest. But, if the security is adequate, he need have nothing to do with the winding-up and may apply the funds he realises to interest and capital as he thinks fit.

Mr Justice Barker recognised that there was much logic in the liquidator's argument. But the law is a discipline more influenced by history than logic and reform will have to be effected by legislation.

The chances of such reform in the near future are dim. Our company law and insolvency legislation is still closely related to English prototypes. The English law in this area is currently under scrutiny by the

Cork Committee on Insolvency Law Reform. A report is expected later this year. Legislation may follow in England in year or two.

And then, if patent and company law provide a guide, several years after this, this country will get its own committee to review insolvency law.

A second important point which arguments for the liquidator were not accepted: Mr Justice Barker considered interest payable on deposits "in call" with Securitibank Ltd, a Securitibank related company which may prove to have a surplus of assets over liabilities. It was argued for the liquidator that the commencement of the winding-up legally terminated the debtor/creditor relationship between the company and "in call" depositors and thus entitled them from interest thereafter. The judge disagreed and the depositors doubtless breathed a sigh of relief.

Meanwhile, the main Securitibank bout, the liquidator's promised proceedings against the institutional shareholders, remains some distance away.

Banking free trade zones

THE Federal Reserve Board — which directs the United States Central Bank — has tentatively approved the establishment of free trade "zones" within the United States for international banking activities.

The move would make United States banks more competitive with banks in other countries by permitting them to conduct international business free of interest rate controls and reserve requirements.

The proposal is open for public comment for 30 days,

and would not go into effect until October 1, 1981.

In anticipation, the New York State Legislature, in 1978, passed a law that would exempt such international banking facilities from state and city taxes.

The main reason for the year-long delay in putting the proposal into effect is to give other states time to enact similar legislation and permit them to compete with New York in attracting such business.



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Cawthron caps off the decision to go commercial

by William Hobbs

THE commercial arm of the Cawthron Institute, the Cawthron Technical Group, has today capped off its first year of work on a United Nations-funded development programme in central America.

The contract, a joint venture of Business and Economic Research Ltd of Wellington, was won through Enxet, the ultimate justification of a decision by the Cawthron Institute's trustees to go commercial.

The Cawthron Institute — one of the country's leading scientific research centres and the first in selling technical expertise overseas — was set up after World War I as a bureau of £232,410 (or £40,000 in death duties) to the estate of Nelson businessman Thomas Cawthron.

He was given statutory personality by the Thomas Cawthron Trust Act 1924. For most of its 60 years, the centre has been known for its work in fundamental and applied research associated with agriculture and horticulture. Its chief interest, in particular, has been the development of a substantial entomology system, which eventually led the Cawthron to become an Entomology Division.

Applied microbiology and entomology continue to be priorities of the institute, but the Cawthron has been granted for some of its scientific work is under way.

In 1970 the trustees decided it was time to make use of the capital out of the Cawthron's knowledge and experience to augment the income from trust funds and government grants.

They started by making technical and analytical services available publicly and in 1975 set up the Cawthron Technical Group as an analytical and consultancy service for the institute. The group now employs more than 20 people and accounts for two-thirds of the institute's income.

It offers consultancy services in such fields as agriculture, horticulture, forestry, freshwater and marine fisheries, environmental evaluation, the conservation analysis and mapping of soils, biological surveys and tourism. And, true to its scientific origins, the Cawthron provides a public analytical and testing service of soils, agricultural

chemicals, pharmaceuticals, and foodstuffs.

The CTG's consultancy section under the management of Dr John Bamford has become one of the country's main environmental reporting agencies, undertaking such projects as the preparation of environmental impact reports on the Turoa skidfield development, Winstone-Samsung's Karori pulp mill and the proposed Nelson pulp mill, as well as a social impact report for the Ministry of Works on the Clutha hydro scheme.

The particular field of expertise in environmental reporting that the CTG has developed is hardly surprising, given Bamford's background as a former special projects officer with the commission and, from 1973 until he joined the CTG, as assistant commissioner for the environment.

He says the CTG would welcome an opportunity to get into the business of environmental reporting internationally, but like other international contracts, this is hard work to obtain.

The Cawthron first made a serious attempt to get into the international consultancy business three years ago, when the institute's director, Dr Royd Thornton, toured extensively overseas, talking to such organisations as the World Bank and the FAO to try to sell them the organisation's services.

He found that most of the work being done for the major aid agencies was being handled by a closed shop of consultants who were getting jobs on the strength of their track record.

The jobs they got this way were then added to their record, securing further jobs for them — and so on.

Eventually the Cawthron was given an assignment at the Cook Islands, where the CTG has been involved in a fishing study and an economic, technical and marketing investigation of existing crops and potential new high value crops for export on behalf of the Cook Islands Government.

The group has also done a study of the possible supply of nut-of-season fruit and vegetables from the Cooks for a New Zealand supermarket chain.

It achieved this first break into international, or semi-international, consultancy through Bamford making personal contact with the Cooks' Premier, Dr Tom Davis, and

selling him the Cawthron's expertise when the two of them were staying at the same hotel.

Since then, in conjunction with Barr, Burgess Management Consultants, the CTG has prepared a study for the Solomon Islands on their tuna fishery and its prospects, and has won a contract of its own to evaluate and provide design specifications for an apple juicing plant in northern India.

The group's local commissions have included a feasibility study for a kiwifruit industry in Karaman, alternative crop studies, management planning and feasibility studies in forestry, quarrying and mining assessments and a number of fisheries projects.

To get the range of expertise needed to render successfully

for such jobs, the CTG has formed close ties with other specialist consultancy groups in the country and this wider organisation is known as Cawthron Technical Group Associates. It includes the Berli Consulting Group for business and economic management, Steven, Fitzmaurice and Partners for civil engineering, Applied Geology Associates for exploration, and Canterbury University's estuarine research unit for marine ecology.

There are more, and the CTG calls on other specialist organisations on an ad hoc basis to contribute expertise in particular projects. It is the ability of the CTG to offer not only its own skills, but also those of a wide range of others, which gives it commercial strength, Bamford says.

There is just no room for individual entrepreneurs in this type of consultancy work because of the need to be able to ensure continuity and responsibility in any project, he says.

The CTG points to the long-standing reputation of its parent, the Cawthron Institute, with its scientific ethics of objectivity, precision and impartiality as a surety for its own performance.

The parent body does have one disadvantage for the CTG, however, in that its receipt of government grant money has led the organisation open to accusations from competitors in the consultancy field that it is being unfairly subsidised.

Bamford strongly denies

this. He says the Cawthron Technical Group is and must be entirely self-supporting, and any government funding is purely for the costly and traditional scientific research work of the institute.

For the future, Bamford believes the way is opening up for New Zealand to get into the business world of social, environmental and commercial consultancy, just as our major consulting engineers have managed to go international in their field.

He says the range of skills needed in New Zealand and only needs to be gathered together. But as adventure seeking stripplings have been told for centuries — competition out there in the world is tough.

Bamford strongly denies

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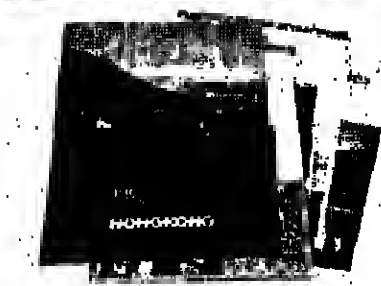
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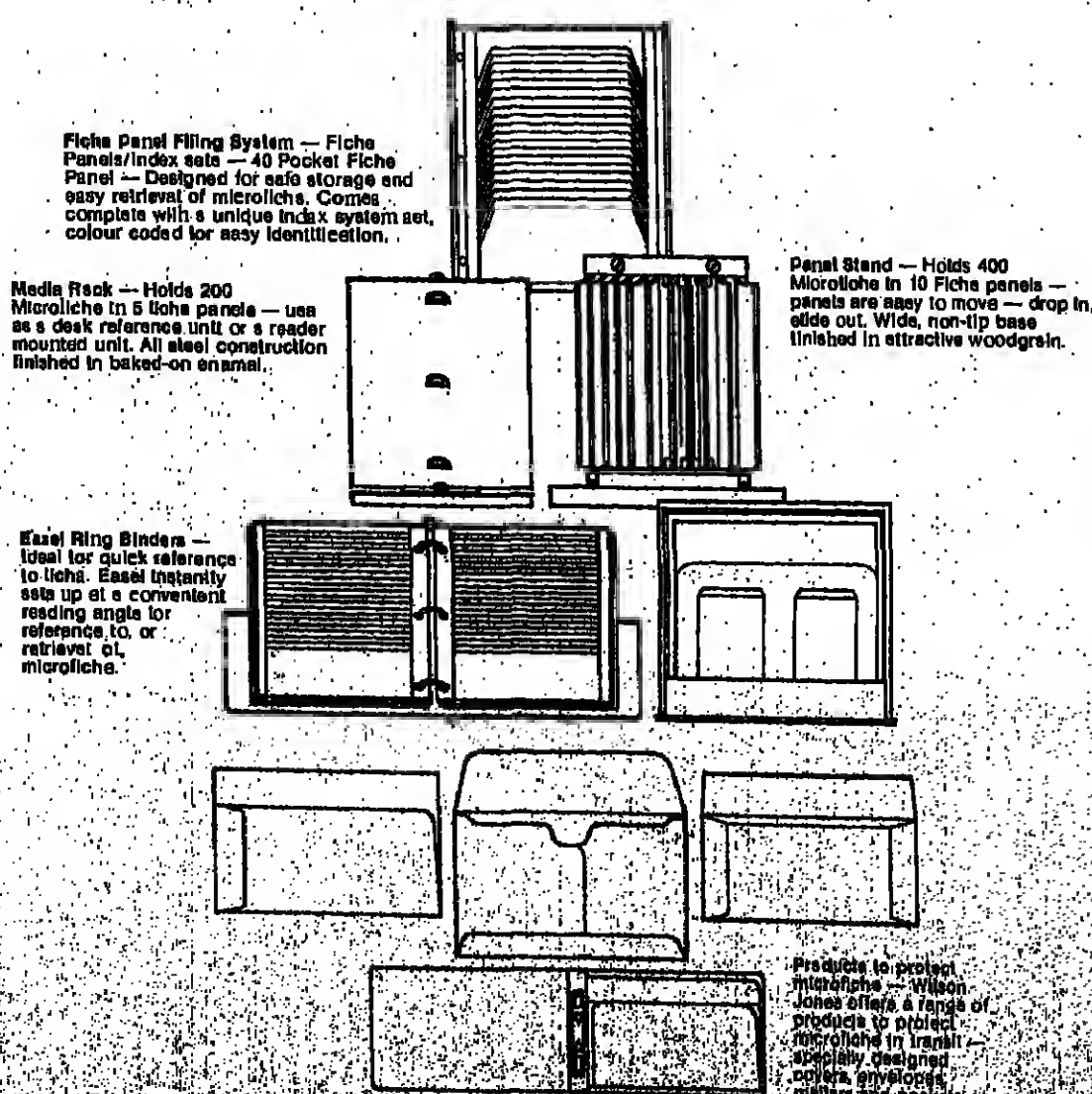
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Management

The positive power of a deadline

By Alec Mackenzie
and Deanna R Scott

"THE deadline is tonight - tonight at midnight," said the accountant. "If it doesn't show today's postmark, it will be late and you'll have to pay a penalty."

For many families, filing their annual income tax returns, that warning has a familiar ring. At some time, every head of a household has heard the consequences of violating the deadline.

For some, it will be relatively meaningless. An executive chuckled, "Why, I've managed to mail my tax return on time."

only three times in my life... I'm not worried."

A 20-year-old, filing his first tax return, had trouble collecting all the information needed. He approached the deadline with visions of a jail sentence and concern that he would ever be able to explain it to his employer.

Whether our response is light-hearted or serious, we all live most of our lives under the shadow of deadlines.

Recall the first day of school and all the events which preceded it. Buying supplies, choosing the right clothes, wondering whether the kids accept you.

Then the morning of the first

DR Alex Mackenzie, a time management expert and author of the bestselling *The Time Trap*, is making a return visit next year to conduct two public seminars. Mackenzie, who visited the country earlier this year, is being sponsored by *National Business Review* in association with Centex and Paddy Guldford Insurance.

day. The ringing of the school bell meant five minutes until you had to be in your seat.

The demand of deadlines went on: term papers had to be in on time; "If you're not in by 6 pm you'll go to bed without your supper"; "If you don't have the car back by 11 pm, no more car for you"; "If you don't have that lawn mowed Saturday morning, no football game for you".

It seems that childhood was a continuous series of experiences that programmed us all in to feeling that deadlines and threats were indivisible.

Most of us become nick-of-time experts.

Salespeople must deal with making appointments, keeping them, turning in weekly quotas and quarterly reports which will sooner or later determine whether they keep their jobs.

Nine-to-fivers must arrive at work in time and face the constant pressure of completing jobs on time, regardless of whether the deadlines set are reasonable.

The story of our lives is deadlines. At birth, the doctor has only seconds in which to spank us into breathing. When we die, the funeral director will set a deadline for the funeral.

In between, the sun rises and sets, we eat and breathe, and each of us conducts the major activities of our lives under the shadow of deadlines.

But people react differently to deadlines. The executive took a light-hearted view of the tax deadline, realising that the worst that could happen would be a minor fine. Life is too short to let deadlines dominate your life, he reasoned.

The 20-year-old was excessively anxious believing that the Government could do anything to him.

These contrasting views reflect a deeper contrast in views toward time and life itself. Attitudes vary from the few who insist on always being early to those who can not make anything on time.

Some plan their day to the minute; others leave it to chance, believing spontaneity is the only way to live.

Some set deadlines and religiously abide by them, punishing themselves if they fail to meet one deadline. Others refuse to wear a wristwatch so that they have no reminder of the constraints of time.

Some consciously defy deadlines, equating the violation of deadlines with an autonomous statement of independence.

William Emerson tried to typify this last group with whimsy in his article, "Punctuality is the Thief of Time". Being late, one time, may have saved his life. "There's no telling how many air crashes, train wrecks and shoot-outs I've missed by being late," he said.

Whether we honour or ignore them, most of us never think positively about deadlines. Instead, we think of the relentless pressures they cause, the ascending stress that approaching deadlines exert on us, and the sense of frustration and failure we experience by missing deadlines.

Examining the positive benefits of deadlines may help us reverse our thinking.

Deadlines can be viewed as a technique to enhance the management of our time and the quality of our lives as well as a means of reducing stress and tension at work and at home.

The "hidden agenda" in setting deadlines is the fact that you must think about what has to be done and how long it should take to set realistic deadlines.

Your goals must be clear for you to determine the course of action to follow... to determine what you must do and when you must do it.

Once the deadline is set for completion of a task, checkpoints can be set automatically for monitoring progress to ensure that you will meet the deadline. These steps - goals and objectives, priorities, deadlines and progress reports to ensure timely corrective action - are the heart of the planning process. Setting deadlines becomes an essential tool in planning your personal and your work life.

So long as the deadline we impose on ourselves is realistic, the pressure it represents can be positive and welcomed. By setting and announcing a realistic deadline for accomplishing something, we increase the likelihood of getting it done.

This will work because we are programmed from childhood to keep our promises.

"Going public" by announcing a deadline is a public promise to get something done by a certain time.

Medical authorities have related stress and tension directly with the two top killers - cancer and heart attack - as well as nervous breakdown and a host of other physical ailments.

The sense of anxiety and frustration generated by uncompleted tasks and missed deadlines and checkpoints can be eliminated by setting

realistic deadlines and checkpoints.

When progress lags, it is discovered at the next checkpoint so that corrective action can be taken to ensure completion of the task on time. Insurance reduces the likelihood of crises and eliminates the worry, stress and tension which almost always accompany missed deadlines.

By doing what we should be, we satisfy an inner need to be effective, to make a contribution, to perform to the highest potential. Creating the most important habit in their daily "to do" list, they provide countless managers with a deeply satisfying sense of accomplishment and discipline.

While deadlines are a powerful tool for getting things done in less time with less tension and less stress, they are not a magic wand.

• List your goals and priorities each day with deadlines for completing them. Use these deadlines to measure progress and to say "no" to interruptions for less important matters.

• Set down your own deadlines when others don't. When receiving an assignment or request, ask the latest deadline needed. Then set your own deadlines with a realistic cushion to allow for the unexpected, and honour it.

• Request deadlines on everything you do. Ask when a request can be met, then set a deadline. Be sure it is realistic.

• Stick to a job until you finish. Do not permit interruptions except for more important matters. Recognise that interruptions are the most serious enemy of deadlines.

When interruptions are unavoidable, return to the task immediately after the interruption.

Remember, it takes three times as long to recover from most interruptions as it does to endure them.

December 15, 1980

Business Management Game

Auckland team wins BMG final at second attempt

THE Auckland team, the Paul Weatherburn Syndicate, won the final of the International Business Management Game at its second attempt on December 5.

Last year the team (of Paul Weatherburn, financial controller, Namco Industries; John Fene, Auckland sales manager, Beecham (NZ) Ltd; Ron Anderson, national supply manager, ice cream division, General Foods; Jim Kidd, general manager, Papercutters Ltd.) was just pipped at the post. This year it won ahead of the Ministry of Works team from Tauranga by a comfortable margin of 1714.640.

The Paul Weatherburn Syndicate, Ministry of Works team from Tauranga, Ministry of Transport team from Wellington and Dunedin team from the national accountancy practice of Gillman, Morris & Co, all received cheques from International Computers for \$400 in addition to each team member receiving engraved planner diaries and a year's

subscription to *National Business Review*.

As winner of the national final, the Paul Weatherburn team received a further cheque for \$800 plus copies of *Business Week's* *Who's Who* from the BMG's co-sponsors, Fourth Estate Holdings Ltd.

The teams were given a tough set of economic conditions for the final by game administrator, Jane Thomas, and Michael Jameson, of ICL.

All teams started the game with excess production capacities and a hint to consider restructuring even though the market was reasonably buoyant. It was not too long before a mini-budget and export price restrictions caused the good profits of the early periods to turn into losses as the teams were forced to sell plant, drop prices, and lower marketing effort as they went through a restructuring process and tried to maintain cash flow.

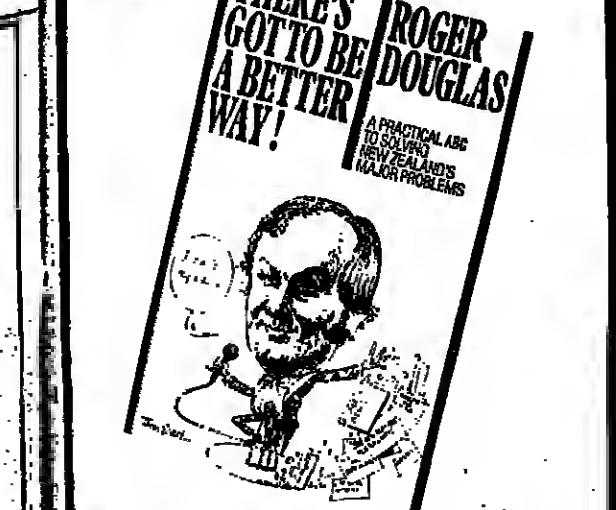
Until the end of Period 6, all teams made profits but over the last three decisions the problem

Period 3	Profit	Placing
Paul Weatherburn Syndicate	\$4,451,890	1
Ministry of Works	4,386,180	2
Ministry of Transport	4,351,870	3
Gillman Morris & Co	3,195,280	4

Period 6	Profit	Placing
Paul Weatherburn Syndicate	\$9,266,840	1
Ministry of Works	8,425,880	2
Ministry of Transport	7,817,470	3
Gillman Morris & Co	6,120,980	4

Final Result	Profit	Placing
Paul Weatherburn Syndicate	\$8,833,870	1
Ministry of Works	7,819,230	2
Ministry of Transport	5,918,180	3
Gillman Morris & Co	4,917,720	4

The independently minded MP has written a provocative, refreshing, important book.



Roger Douglas, unrepentant after the release of his own alternative budget earlier this year, has written a provocative and lively book that offers down-to-earth, non-doctrinaire solutions to some of our most intransigent problems. Douglas, who is concerned that the politicians are fiddling while New Zealand slides towards economic and social disaster, provides short, snappy and highly readable answers to problem areas ranging from airport spending to union attitudes... from the balance of payments to tourism... from employment to minority groups.

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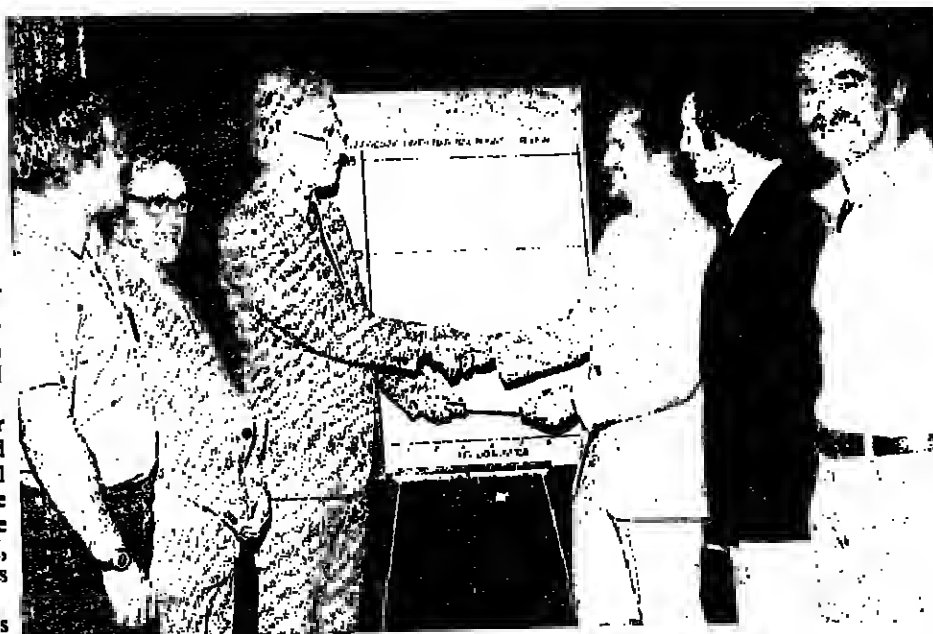
was one of trying to make the least loss.

Game commentator Bruce Judge, managing director of H W Smith Ltd, said after the game that it appeared some teams had found themselves in a "classical Mosgiel situation".

He suggested that future versions of the game should make allowances for a team to make a takeover bid for one of its competitors under circumstances such as those which faced the teams in the national final.

ICL managing director Tony Neville complimented the teams on reaching the final and on the fine, competitive spirit they displayed during the decision-making of the final, before presenting the cheques to the team chairman.

The profits for the teams after Period 3, Period 6, and after the final decision give some idea of the closeness of the competition.



ICL managing director Tony Neville (third from left) handing the cheque to the chairman of the winning team, Paul Weatherburn (third from right). Looking on is game commentator Bruce Judge, managing director of H W Smith & Co (second from right). Other members of the team were John Fene (left), Ron Anderson (second from left) and Jim Kidd (right).

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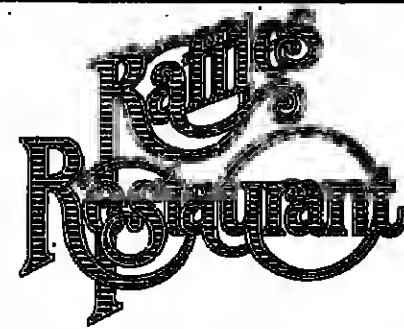
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